Ag Emergency

August 28, 1998

The Honorable
– House Office Building
Washington, D. C. 20515

Dear –:

The Administration strongly urges the conferees on the fiscal year (FY) 1999 agricultural appropriations bill to adopt sufficient emergency funding and provide the Department of Agriculture (USDA) authority so farmers and ranchers can recover from the income losses they have and are suffering this year. During Senate consideration of the legislation, the Administration endorsed the Conrad-Dorgan amendment adding $[illegible] million to the bill for disaster assistance. In preparation for the conference committee's deliberations, USDA re-estimated farm income losses using its August 12, 1998 Crop Production report and World Agricultural Supply and Demand Estimates. This letter, and the attached papers, detail those estimates and describe more fully than my July 16 letter to Senator Conrad the programs USDA proposes for inclusion in the FY99 appropriations bill for emergency assistance.

As I have stated on several occasions, USDA attributes the income losses farmers and ranchers are suffering to two causes, natural disasters and weak commodity markets, and the package described in this letter presents proposals responding to both. Based on USDA's most recent estimates, to compensate fully farmers and ranchers for natural disaster-related losses using the supplemental insurance indemnity, livestock assistance, and flood loss provisions I outlined in my July 16 letter, together with other disaster-related needs ranging from farm credit to forest losses, the conferees must provide $1.4 billion in FY99. Because these provisions will provide only limited help to many farmers facing severe income losses from sharp declines in market prices in 1998, this letter proposes an income loss assistance program that USDA estimates will cost an additional $1.3 billion in FY99 the Administration also encourages the conferees to adopt.

Problems in U.S. Agriculture

After two years of robust strength, critical sectors of the farm economy are undergoing the most severe stress of the decade. There are two fundamental causes for this weakness. First, farmers and ranchers in many areas are suffering production losses due to disease, drought, pests, flooding and excessive moisture. In some areas, such as the Northern Plains, these losses have accumulated, after recurring over several successive years. In other areas, such as the Southern Plains and southern states, 1998-crop losses are mounting as a result of

this year's record drought. The second cause of farm economy weakness is large U.S. crop production and lackluster demand for U.S. agricultural exports due to large global production, the Asian financial crisis, and the weakening of other currencies against the U.S. dollar. This combination of large crops, rising stock levels, and weak demand is causing agricultural commodity prices and incomes to plummet. USDA forecasts the effects of adverse weather and low commodity prices will lower the net cash farm income of farmers and ranchers by nearly $7.5 billion, or 12 percent, in 1998 from a year ago.

The Department's most recent reports on the average prices received by farmers document the price deterioration. The collapse has been especially severe for grains, soybeans, cattle, and hogs. Wheat prices in July were the lowest in 7 years, down 20 percent from a year ago and 45 percent from 1996. Farm-level corn prices this July were down nearly 15 percent from a year earlier, and soybean prices fell nearly 20 percent. For the 1998/99 season, USDA projects that wheat, corn and soybean prices will average 15 to 25 percent below the previous five-year average. In July, cotton prices were unchanged compared with a year ago, even though USDA estimates U.S. cotton production will fall by over 20 percent because of weather problems in California, Texas, and other States.

Record-large per capita meat and poultry supplies have reduced livestock prices, and USDA forecasts that hog and cattle prices in 1998 will average below last year and the previous five-year average. The drop in hog prices has been especially severe; USDA expects prices to fall by nearly 30 percent in 1998. USDA forecasts that fed cattle prices will average below last year's low level and continue to run below cash expenses. Poor pasture and range conditions in the Southern Plains are causing producers to market cattle sooner than they would normally, and low cattle prices are encouraging cattle feeders to feed to heavier weights, adding to meat supplies and aggravating low-price problems.

In addition to low commodity prices, many farmers and ranchers will experience severe income losses this year from adverse weather. Drought and excessive heat across the South have decimated crops, caused insect re-infestations and increased livestock and poultry death losses. Wet conditions and flooding have adversely affected crop production in California and in the some areas of the Midwest. In the Northern Plains, crop yields have been reduced because of disease and unfavorable weather for several consecutive years.

On August 12, the Department released its first field survey-based estimates for 1998-crop production as of August 1; these estimates provide partial measures of the devastating effects of this year's weather. When USDA compared them to estimates of what farmers would have produced had weather been average, reveals wet, cool weather in California and the southern drought USDA estimates that these conditions have combined to reduce cotton production by 2.9 million bales, a loss valued at $970 million. USDA estimates corn production

losses are at 145 million bushels, a loss valued at $365 million. Other losses include 20 million bushels of soybeans valued at $105 million, 32 million bushels of grain sorghum valued at $70 million, 4.8 million tons of hay valued at $360 million, and 5 million hundredweight (cwt) of rice valued at $40 million. USDA estimates that losses for these six commodities in California and 10 southern and Southern Plains States total nearly $1.9 billion.

Producers are facing numerous other losses that the Department has not quantified. Large portions of pasture throughout the south are in poor or very poor condition adding to feed losses. Ranchers have had to market cattle prematurely into a weak cattle market, reducing returns from current sales and lowering future earnings as breeding herds contract. Irrigated crops are suffering, while irrigation costs are up sharply. Heat and feed losses have reduced milk production, and USDA has numerous reports of lost poultry. An infestation of insects is threatening crops in Georgia and Mississippi, compounding damages from drought.

The income losses farmers and ranchers have incurred due to weather are only part of the escalating financial pressure building on American agriculture. Based on the Department's current production and price forecasts for 1998 crops, USDA expects gross income – defined as production value plus government payments – for wheat to fall $1.6 billion, 16 percent, below the average of the previous 5 years. For cotton, USDA forecasts gross income down $1.3 billion, or 18 percent. For feed grains, USDA projects gross income to drop $1.4 billion. USDA estimates that net cash farm income – gross income less cash production expenses – for wheat, feed grain and cotton producers will be $8.4 billion in 1998, down 43 percent from the $14.9 billion average of the previous 5 years.

Recommended Congressional Action

The Administration proposes 4 programs, plus a fifth category of related needs, summarized below and described in the attached paper, to address these losses:

1) Supplemental Crop Income Benefit Program;
2) Crop and Pasture Flood Compensation Program;
3) Livestock Feed Assistance Program; and
4) Income Loss Adjustment Program.

1. Supplemental Crop Insurance Benefit Program

Federal crop insurance does not adequately cover year-after-year disasters that create farm cash-flow problems. Because of deductibles and other factors, insurance does not make a farmer fully whole from a crop loss, thus the cumulative financial effect of repeated losses can be painful, even for fully-insured farmers. USDA proposes a Supplemental Crop Insurance

Benefit Program to address this immediate cash need in hard-hit areas. Under the program, USDA would pay a supplemental benefit to insured farmers if he or she received indemnities in 3 of the last 5 years, 1993-1997, equal to 25 percent of the total indemnities received during those years. The payment, that USDA estimates would total about $850 million, would be made this fall.

After 1998-crop losses are established, USDA would make a second round of payments in early 1999 to farmers who have received indemnities in 3 of the 5 years 1994-98. USDA estimates these payments to total $200 million. For farmers who receive the initial supplemental benefit based on 1993-97 losses and qualify for indemnities on 1998 losses, only their 1998 losses would be eligible for the second supplemental benefit payment.

USDA estimates total FY 1999 payments under the supplemental crop insurance benefit program to total $1.05 billion.

2. Crop and Pasture Flood Compensation Program

In some areas, long-term flooding has occurred since 1992; the most severely affected crop and pasture land has been flooded and submerged since 1993. The topography and soil of the affected regions provide no outlet for drainage meaning that the land will return to production only after the water has evaporated some years from now.

USDA proposes a Crop and Pasture Flood Compensation Program to compensate farmers and ranchers who have had crop or pasture land under standing water for several years. USDA projects approximately 1 to 1.5 million acres could be eligible for this multi-year program at an estimated cost of about $50 million per year.

3. Livestock Disaster Programs

During the past 2 years, USDA has funded livestock disaster assistance programs by selling grain in the disaster reserve, but the remaining funds from the sale of disaster reserve stocks are not sufficient to meet current and potential future losses. Changes mandated by the 1996 Farm Bill and the FY97 supplemental appropriations bill ended USDA's authority to replenish the disaster reserve and capped the disaster reserve at 20 million bushels.

With 20 percent of the U.S. cattle inventory in Texas and Oklahoma alone, this year's drought is having a devastating effect on ranchers. To deal with forage and feed losses, USDA proposes implementing a Livestock Feed Assistance Program, similar to the program USDA operated during the previous 2 years, to cover 30 percent of the feed losses farmers and ranchers incur; the program would cost $58 million annually.

The Department is currently operating 3 additional livestock assistance programs that it proposes to continue: 1) the Livestock Indemnity Program, to indemnify ranchers for abnormal death losses; 2) the proposed Emergency Livestock Products Loss Program, to provide assistance to dairy producers for milk production losses as a result of natural disasters, similar to the current Dairy Production Disaster Assistance Program; and 3) the proposed Dire Livestock Emergency Assistance Program, to assist ranchers with livestock in danger of perishing and isolated from normal feed supplies, similar to the current Foundation Livestock Relief Program. The Department has sufficient funds to operate these programs for losses incurred through April 1998; however, USDA estimates a continuing need for these programs through the end of the calendar year. Based on historical spending, USDA proposes an additional $16 million for these programs to cover losses through December 1998.

4. Income Loss Adjustment Program

The very unusual economic situation now unfolding in Russia, Japan, Korea, Southeast Asia, and elsewhere, combined with abundant global crop production, is placing a financial stress on U.S. producers as serious and urgent as that caused by crop production losses. The downturn in commodity prices in 1998, together with lost crop production, will sharply reduce the incomes of crop producers; USDA estimates the gross income of grain and upland cotton producers for 1998 crops will be about $4.3 billion below the previous 5-year average. USDA estimates net cash income to be 43 percent below the 5-year average.

The proposed Income Loss Adjustment Program would cushion the severe drop in income drop farmers of traditional program crops are suffering by providing payments equal to 30 percent of the reduction in gross income each crop sector faces. This minimal level of additional assistance that USDA estimates about $1.3 billion, will help many family farmers from being forced to leave their farms.

The Income Loss Adjustment Program is a unique in that it would assist farmers facing income losses due to reduced yields, reduced prices, or both; conditions that in the past were addressed through rising deficiency payments, rising commodity loan benefits, and ad hoc disaster assistance. Since none of these traditional protections will be available, however, to deal with the losses farmers face in 1998, USDA proposes a gross revenue indemnity triggered by a crop sector revenue loss -- the Income Loss Adjustment Program.

Under the proposed Income Loss Adjustment Program, USDA estimates that payments equal to 30 percent of income losses would total about $490 million for wheat farmers, $395 million for cotton farmers, and $425 million for feed grain farmers. The payments would be allocated to farmers who have production flexibility contracts as authorized by the 1996 Farm Bill. Each farmer would receive a payment based on the level of his or her contracted payment

production. For example, each wheat farmer having a production flexibility contract would receive $0.21 per bushel on payment production.

5. Other Needs

There are several other funding needs related to the stresses in the farm economy described in this letter that USDA urges the conferees to consider, including providing increased funds for farm credit, administrative expenses, farmer education, insect problems, and the effects of fires and other natural disasters on forests. Regarding farm credit, farmers who have large debt loads are likely to have difficulty servicing it and obtaining additional credit to continue operating. USDA exhausted FY98 funding on direct loans and subsidized loan guaranteed loans in May, thus USDA anticipates carrying a sizeable backlog into FY99, which may become larger than normal because of the income losses of this year. more farmers will turn to USDA, particularly if the Income Loss Adjustment Program is not enacted.

The emerging crisis in the farm sector will likewise strain USDA's personnel, causing additional workload requirements beyond those projected when the FY99 budget was prepared. The conferees should consider those demands as well as the demands on USDA of providing emergency assistance. USDA is ready to work with the conferees to maintain the Department's current capability to deliver services and assistance to farmers and ranchers.

Many farmers who have or will suffer 1998 losses were uninsured, under insured, or otherwise unprotected, often due to lack of information or training on the use of risk management tools. However, USDA resources for risk management education and outreach are insufficient to have a broad affect on the farming public. Therefore, the conferees should consider restoring and expanding the risk management education initiative as part of any disaster assistance effort.

USDA is also concerned about the increased funds it will need to combat pest and disease outbreaks. The variable weather patterns have increased the susceptibility of U.S. agriculture to invasions of exotic plant and animal diseases, pests and pathogens. USDA will need more resources will be needed for effective exclusion, detection, control and eradication and presently, USDA estimates that FY99 costs for these activities could reach $50 million.

Finally, the Forest Service has submitted a request for $44 million to deal with the fire restoration and other natural disasters, particularly in the State of Florida.

Our Shared Responsibility

I am confident you and your colleagues share the President's and my concern for

American farmers and ranchers who are experiencing financial stress from natural disasters and the downturn in commodity prices and incomes. The crop and income losses of this and recent years are substantial, and USDA's assessment is that $500 million in assistance will be insufficient to forestall financial stress for many producers.

USDA projects that $1.4 billion is necessary to fund the proposals outlined my July 16th letter to Senator Conrad and for other needs ranging from farm credit to forests to help American agriculture recover from the financial problems resulting from serious natural disaster-related problems. If, in addition, the conferees chose to address the loss of income farmers are suffering from weak markets, which USDA strongly encourages, USDA recommends adoption of the Income Loss Adjustment Program. Total funding for all the proposals described in this letter would amount to $2.7 billion to address many of the problems of this and recent years, and to do so quickly and efficiently.

I encourage the conference committee to adopt the proposals outlined in this letter or similar proposals and stand ready to work with you and your colleagues on implementation. I am sending an identical letter to Congressman __ and Senators __ and __.

Sincerely,

DAN GLICKMAN
Secretary

Enclosures

FY99 emergency funding estimates
in billion $

1.	Supplemental crop insurance benefits	1.050
2.	Crop and Pasture Flood compensation	.050
3.	Livestock disaster programs	.074
4.	Income loss adjustment program	1.300
5.	Other needs –	
	Farm credit	.044
	FSA offices	.040
	Risk management education	.005
	plant and animal disease control	.050
	Forest Service	.044
TOTAL		2.657

Supporting Materials for Administration Proposals

1. Estimated Crop Production Losses by State and by Commodity

2. Projected Loss in Crop Income in 1998

3. Supplemental Crop Insurance Benefits Program

4. Livestock Disaster Assistance Programs

5. Crop and Pasture Land Compensation Program

6. Income Loss Adjustment Program

Revised 8/27/98

Estimated Crop Production Losses

The value of losses to 6 major crops--corn, cotton, rice, sorghum, soybeans, and hay--as a result of the drought in Southeastern States and Texas and Oklahoma and excessive moisture in California is estimated to be $1.9 billion. The estimated losses are shown by crop in the following table and for each crop by State in tables 1-6. The 1997 value of production for these crops and States was $11 billion.

Estimated Dollar Losses to Major Crops in Selected States

Crop	Acres for Harvest		Production			Value of Lost Production
	Potential 1/	August 1	Potential 2/	August 1	Production Lost 3/	4/
	1,000 Acres		1,000 Units			$1,000
Cotton (Bales)	11,467	9,851	15,661	12,753	2,908	971,649
Corn (Bu)	6,315	5,900	665,045	520,075	144,970	363,761
Soybeans (Bu)	11,005	10,925	312,934	293,175	19,759	105,579
Sorghum (Bu)	3,161	2,981	176,096	144,405	31,691	70,616
Rice 5/ (Cwt)	518	478	41,595	36,806	4,789	37,479
All Hay (Ton)	12,250	12,250	26,515	21,797	4,718	361,510
Total						1,910,594

1/ Acreage estimated for harvest from June 30 report. (Cotton acres derived from planted acres in June Report.)
2/ Potential production based on 5 year (1993-1997) average yield per acre times June 30 expected acres for harvest. (For cotton, 1993, 1994, 1996, and 1997.)
3/ Difference between potential and August 1 production forecast.
4/ May 12, 1998 WASDE projected price for corn, soybeans, and sorghum adjusted by State level relationship of 5-year average State price to 5-year average U.S. price. Historic 5-year weighted average price used for remaining crops.
5/For California only.

Table 1.

Estimated Dollar Losses to Cotton in Selected States

State	Acres for Harvest		Production			
	Potential 1/	August 1	Potential 2/	August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Bales			$1,000
AL	455	455	626	521	104	34,112
AR	855	855	1,366	1,361	5	1,689
CA	985	879	2,486	1,810	676	254,521
GA	1,387	1,350	2,052	1,600	451	154,824
LA	544	540	812	800	12	3,781
MS	915	915	1,455	1,550	(95)	(30,698)
NC	695	695	987	927	60	20,515
OK	141	100	108	110	(2)	(634)
SC	280	280	414	321	94	32,558
TN	445	445	557	590	(33)	(10,656)
TX	4,765	3,337	4,798	3,163	1,635	511,638
TOTAL	11,467	9,851	15,661	12,753	2,908	971,649

Table 2.

Estimated Dollar Losses to Corn for Grain in Selected States

State	Acres for Harvest		Production			
	Potential 1/	August 1	Potential 2/	August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Bushels			$1,000
AL	290	290	23,024	18,850	4,174	10,832
AR	210	210	24,883	24,150	733	1,544
GA	500	400	47,033	36,000	11,033	29,104
LA	690	650	79,271	52,000	27,271	69,034
MS	515	515	51,199	41,200	9,999	24,409
NC	800	780	71,086	58,500	12,586	32,932
OK	240	240	23,860	28,800	(4,940)	(12,060)
SC	330	275	26,475	12,375	14,100	36,085
TN	690	690	74,128	72,450	1,678	4,000
TX	2,050	1,850	244,085	175,750	68,335	167,880
TOTAL	6,315	5,900	665,045	520,075	144,970	363,761

Table 3.

Estimated Dollar Losses to Soybeans in Selected States

State	Acres for Harvest: Potential 1/	Acres for Harvest: August 1	Production: Potential 2/	Production: August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Bushels			$1,000
AL	320	320	8,863	8,000	863	4,665
AR	3,350	3,350	99,456	93,800	5,656	30,822
GA	320	290	7,775	5,800	1,975	10,231
LA	1,100	1,100	30,611	24,200	6,411	34,533
MS	1,950	1,950	52,913	52,650	263	1,422
NC	1,425	1,425	39,525	38,475	1,050	5,511
OK	380	380	10,106	8,740	1,366	6,863
SC	590	540	13,392	10,260	3,132	16,913
TN	1,200	1,200	40,478	42,000	(1,523)	(8,258)
TX	370	370	9,815	9,250	565	2,878
TOTAL	11,005	10,925	312,934	293,175	19,759	105,579

Table 4.

Estimated Dollar Losses to Grain Sorghum in Selected States

State	Acres for Harvest: Potential 1/	Acres for Harvest: August 1	Production: Potential 2/	Production: August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Units			$1,000
AL	6	6	276	240	36	84
AR	130	130	9,140	8,710	430	952
GA	30	30	1,230	1,110	120	278
LA	100	100	7,027	6,500	527	1,186
MS	28	28	1,959	2,100	(141)	(316)
NC	14	14	752	840	(88)	(181)
OK	380	350	19,246	17,500	1,746	3,689
SC	3	3	110	105	5	11
TN	20	20	1,690	1,500	190	415
TX	2,450	2,300	134,667	105,800	28,867	64,498
TOTAL	3,161	2,981	176,096	144,405	31,691	70,616

Table 5.

Estimated Dollar Losses to All Hay in Selected States

State	Acres for Harvest: Potential 1/	Acres for Harvest: August 1	Production: Potential 2/	Production: August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Units			$1,000
AL	720	720	1,627	1,440	187	10,037
AR	1,050	1,050	2,145	2,016	129	7,852
GA	600	600	1,540	1,380	160	10,289
LA	330	330	852	627	225	11,370
MS	650	650	1,587	1,625	(38)	(1,889)
NC	550	550	1,175	1,117	59	4,665
OK	2,250	2,250	4,359	3,713	647	53,578
SC	320	320	693	608	85	6,595
TN	1,780	1,780	3,838	3,952	(114)	(5,587)
TX	4,000	4,000	8,698	5,320	3,378	264,600
TOTAL	12,250	12,250	26,515	21,797	4,718	361,510

Table 6.

Estimated Dollar Losses to Rice in California

Crop	Acres for Harvest: Potential 1/	Acres for Harvest: August 1	Production: Potential 2/	Production: August 1	Production Lost 3/	Value of Lost Production 4/
	1,000 Acres		1,000 Units			$1,000
Rice (Cwt)	518	478	41,595	36,806	4,789	37,479
Total						37,479

1/ Acreage estimated for harvest from June 30 report. (Cotton acres derived from planted acres in June Report.)
2/ Potential production based on 5 year (1993-1997) average yield per acre times June 30 expected acres for harvest. (For cotton, 1993, 1994, 1996, and 1997.)
3/ Difference between potential and August 1 production forecast.
4/ May 12, 1998 WASDE projected price for corn, soybeans, and sorghum adjusted by State level relationship of 5-year average State price to 5-year average U.S. price. Historic 5-year weighted average price used for remaining crops.

Projected Loss in Crop Income in 1998

Based on USDA's most recent forecasts released on August 12, 1998, gross income for feed grains, wheat, rice and upland cotton is projected to be $40.2 billion in 1998, compared with the 1993-97 average of $44.5 billion. Net cash income, gross income minus cash production expenses, for these same crops is projected to decline by $6.5 billion in 1998, compared with the 1993-97 average. With the exception of upland cotton, the primary reason for the projected drop in gross and net cash income in 1998 is lower farm prices. Weather problems and reduced production throughout the South and in California are the major reason for the drop in gross income for upland cotton in 1998. Gross income for rice in 1998 is projected to be above the 1993-97 average.

Gross Income in 1998 Compared with 1993-97 Average.

	1993-97 avg.	1998F	Change
	----------Mil. $----------		
Feedgrains	27,143	25,732	-1,411
Wheat	10,131	8,512	-1,619
Upland Cotton	7,223	5,909	-1,314
Total	44,497	40,153	-4,344

Net Cash Income in 1998 Compared with 1993-97 Average.

	1993-97 avg.	1998F	Change
	----------Mil. $----------		
Feedgrains	8,870	5,037	-3,833
Wheat	3,734	2,056	-1,678
Upland Cotton	2,246	1,304	-942
Total	14,850	8,397	-6,453

NET CASH INCOME FOR WHEAT, FEED GRAINS, COTTON, RICE AND SOYBEANS BY CROP YEAR

		1990	1991	1992	1993	1994	1995	1996	1997	1990-97 ave.	1993-97 ave.	1998F
Wheat:												
Production	Mil. Bu.	2,730	1,980	2,467	2,396	2,321	2,183	2,285	2,527	2,361	2,342	2,549
Market Price	Dol./Bu.	2.61	3.00	3.24	3.26	3.45	4.55	4.30	3.40	3.48	3.79	2.75
Value of Production	Mil. Dol.	7,125	5,940	7,993	7,811	8,007	9,933	9,826	8,592	8,153	8,834	7,010
Government Payments	Mil. Dol.	2,420	2,246	1,371	1,900	1,146	101	1,941	1,397	1,565	1,297	1,503
Gross Income	Mil. Dol.	9,545	8,186	9,364	9,711	9,153	10,034	11,767	9,989	9,719	10,131	8,513
Cash Expenses	Mil. Dol.	6,082	5,275	5,350	5,643	5,802	6,454	7,217	6,869	6,087	6,397	6,457
Net Cash Income	Mil. Dol.	3,463	2,911	4,014	4,068	3,351	3,580	4,550	3,120	3,632	3,734	2,056
Corn:												
Production	Mil. Bu.	7,934	7,475	9,477	6,336	10,103	7,374	9,293	9,366	8,420	8,494	9,592
Market Price	Dol./Bu.	2.28	2.37	2.07	2.50	2.26	3.24	2.71	2.45	2.49	2.63	2.15
Value of Production	Mil. Dol.	18,090	17,716	19,617	15,840	22,833	23,892	25,184	22,947	20,765	22,139	20,623
Government Payments	Mil. Dol.	3,014	2,080	3,625	1,520	3,199	82	1,745	3,384	2,331	1,986	2,652
Gross Income	Mil. Dol.	21,104	19,796	23,242	17,360	26,032	23,974	26,929	26,331	23,096	24,125	23,275
Cash Expenses	Mil. Dol.	13,184	13,903	14,534	13,028	15,927	14,771	17,701	18,116	15,146	15,909	18,528
Net Cash Income	Mil. Dol.	7,920	5,893	8,708	4,332	10,105	9,203	9,228	8,215	7,950	8,216	4,747
Soybeans:												
Production	Mil Bu.	1,926	1,987	2,190	1,871	2,517	2,177	2,382	2,727	2,222	2,335	2,825
Market Price	Dol./Bu.	5.74	5.58	5.56	6.40	5.48	6.72	7.35	6.45	6.16	6.48	5.35
Gross Income	Mil. Dol.	11,055	11,087	12,176	11,974	13,793	14,629	17,508	17,589	13,727	15,099	15,114
Cash Expenses	Mil. Dol.	6,178	6,787	6,626	6,781	7,317	7,582	8,141	9,145	7,320	7,793	9,511
Net Cash Income	Mil. Dol.	4,877	4,300	5,550	5,193	6,476	7,047	9,367	8,444	6,407	7,306	5,603

		1990	1991	1992	1993	1994	1995	1996	1997	1990-97 ave.	1993-97 ave	1998F
Sorghum:												
Production	Mil. Bu..	573	585	875	534	649	460	803	653	642	620	529
Market Price	Dol./Bu..	2.12	2.25	1.89	2.31	2.13	3.19	2.34	2.20	2.30	2.43	2.00
Value of Production	Mil. Dol.	1,215	1,316	1,654	1,234	1,382	1,467	1,879	1,437	1,448	1,480	1,058
Government Payments	Mil. Dol.	317	175	328	154	292	25	201	338	229	202	290
Gross Income	Mil. Dol.	1,532	1,491	1,982	1,388	1,674	1,492	2,080	1,775	1,677	1,682	1,348
Cash Expenses	Mil. Dol.	1,001	1,066	1,280	1,054	1,125	989	1,445	1,128	1,136	1,148	1,002
Net Cash Income	Mil. Dol.	531	425	702	334	549	503	635	647	541	534	346
Barley:												
Production	Mil. Bu..	422	464	455	398	375	360	396	374	406	381	374
Market Price	Dol./Bu..	2.14	2.10	2.04	1.99	2.03	2.89	2.74	2.35	2.29	2.40	2.00
Value of Production	Mil. Dol.	903	974	928	792	761	1,040	1,085	879	920	912	748
Government Payments	Mil. Dol.	59	173	153	204	163	40	137	113	130	131	122
Gross Income	Mil. Dol.	962	1,147	1,081	996	924	1,080	1,222	992	1,051	1,043	870
Cash Expenses	Mil. Dol.	686	752	658	698	691	727	832	819	733	753	766
Net Cash Income	Mil. Dol.	276	395	423	298	233	353	390	173	318	290	104
Oats:												
Production	Mil. Bu.	358	244	294	207	229	162	155	176	228	186	177
Market Price	Dol./Bu.	1.14	1.21	1.32	1.36	1.22	1.67	1.96	1.60	1.44	1.56	1.30
Value of Production	Mil. Dol.	408	295	388	282	279	271	304	282	314	283	230
Government Payments	Mil. Dol.	8	30	15	12	16	3	9	8	13	10	9
Gross Income	Mil. Dol.	416	325	403	294	295	274	313	290	326	293	239
Cash Expenses	Mil. Dol.	725	570	529	579	496	468	363	409	517	463	399
Net Cash Income	Mil. Dol.	(309)	(245)	(126)	(285)	(201)	(194)	(50)	(119)	(191)	(170)	(160)

USDA, Office of the Chief Economist--7/22/98

		1990	1991	1992	1993	1994	1995	1996	1997	1990-97 ave.	1993-97 ave.	1998F
Upland Cotton:												
Production	Mil.Bales	15.15	17.22	15.71	15.76	19.32	17.53	18.41	18.25	17.17	17.85	13.80
Market Price	Dol./Cwt.	67.1	56.8	53.7	58. 1	72.0	75.4	69.3	64.8	64.6	67.9	68.0
Value of Production 1/	Mil. Dol.	5,602	5,187	4,657	5,102	7,448	7,074	7,017	6,508	6,074	6,630	5,263
Government Payments	Mil. Dol.	409	706	1,288	1,357	280	3	699	625	671	593	646
Gross Income	Mil. Dol.	6,011	5,893	5,945	6,459	7,728	7,077	7,716	7,133	6,745	7,223	5,909
Cash Expenses	Mil. Dol.	4,214	4,465	4,091	4,298	4,527	6,025	5,150	4,882	4,707	4,976	4,605
Net Cash Income	Mil. Dol.	1,797	1,428	1,854	2,161	3,201	1,052	2,566	2,251	2,039	2,246	1,304
Rice:												
Production	Mil. Cwt.	156.1	159.4	179.7	156.1	197.8	173.9	171.3	178.9	171.7	175.6	177.7
Market Price	Dol./Cwt.	6.68	7.58	5.89	7.98	6.78	9.15	9.96	9.65	7.96	8.70	9.75
Value of Production	Mil. Dol.	1,043	1,208	1,058	1,246	1,341	1,591	1,706	1,726	1,365	1,522	1,733
Government Payments	Mil. Dol.	563	484	668	784	614	471	455	448	561	554	485
Gross Income	Mil. Dol.	1,606	1,692	1,726	2,030	1,955	2,062	2,161	2,174	1,926	2,076	2,218
Cash Expenses	Mil. Dol.	1,103	1,129	1,201	1,161	1,420	1,337	1,291	1,417	1,257	1,325	1,507
Net Cash Income	Mil. Dol.	503	563	525	869	535	725	870	757	668	751	711

1/Includes the value of cottonseed.

Supplemental Crop Insurance Benefits Program

Program Description:
Producers who have incurred substantial crop production losses in 3 of the past 5 years would be eligible for a supplemental crop insurance payment equal to 25 percent of the crop insurance indemnities collected during the previous 5 years. A substantial crop production loss is defined as a loss triggering a crop insurance indemnity payment. The initial base period for determining eligibility and payments under the program would be for losses incurred during 1993-97. A second base period would be for losses incurred during 1994-1998, with producers precluded from receiving payments for crop production losses covered by the initial base period.

The USDA plans to address additional crop insurance proposals in its FY 2000 budget proposal. The Risk Management Agency is also examining the potential to offer a product, where practical and feasible, that provides the producer an option of purchasing protection against repeated years of crop loss if the producer also purchases a policy for the same crop or crops for each of those years. The development and implementation of the insurance product would be closely coordinated with the private sector.

Estimated FY 1999 Payments:
During 1993-97, 472,000 producers collected indemnities of $6.2 billion. About one-fifth of all producers collecting indemnities, or nearly 90,000 producers, collected indemnities in 3 or more years during 1993-97. These producers collected about $3.3 billion in indemnities or more than one-half of all crop insurance indemnities paid out over the previous 5 years. Under the proposed program, supplemental crop insurance payments of about $834 million would be paid in late 1998 to producers collecting crop insurance indemnities in at least 3 years during 1993-97. The Department projects Texas producers would receive about 20 percent of the initial program payments followed by North Dakota with a 13 percent share (see attachment).

Payments to producers with crop losses in at least 3 years during 1994-98 would be paid to producers in the spring of 1999. For those eligible producers who did not receive a payment based on crop losses for the 1993-97 crops, the payment would be 25 percent of the crop insurance indemnities received during 1994-98. For those eligible producers who did receive a payment for crop losses during 1993-97, the payment could be 25 percent of crop insurance indemnities received for the 1998 crop. This prevents eligible producers from collecting a payment for crop losses already covered by previous-year payments. The Department estimates payments of about $200 million for 1994-98 crop losses bringing total FY 1999 payments under the proposed program to $1,034 million. The estimate for 1994-98 crop loss payments is highly speculative because insurance claims for 1998 crop losses continue to be filed. In subsequent fiscal years, the proposed program is projected to cost about $200 million annually.

The projected cost of the proposed program is more than double USDA's initial estimate. The initial estimate assumed an eligible producer had to reside in a county with a crop production loss of at least 20 percent in addition to collecting indemnities in at least 3 years. The initial cost estimate also assumed payments for 1994-98 crop losses would be paid in FY 2000.

Supplemental Crop Insurance Benefits for Repeated Loss Years

State	1993-97 1st tranche		1994-98 2nd tranche		Total	
	mil $	percent	mil $	percent	mil $	percent
Alabama	23.3	2.8%	3.6	1.8%	26.9	2.6%
Alaska	0.0	0.0%	0.0	0.0%	0.0	0.0%
Arizona	3.1	0.4%	0.4	0.2%	3.5	0.3%
Arkansas	6.2	0.7%	2.4	1.2%	8.6	0.8%
California	14.1	1.7%	4.3	2.2%	18.4	1.8%
Colorado	11.9	1.4%	2.3	1.2%	14.2	1.4%
Connecticut	0.0	0.0%	0.1	0.1%	0.1	0.0%
Delaware	0.5	0.1%	0.0	0.0%	0.5	0.0%
Florida	14.7	1.8%	2.3	1.2%	17.1	1.6%
Georgia	40.9	4.9%	5.9	2.9%	46.8	4.5%
Hawaii	0.0	0.0%	0.0	0.0%	0.0	0.0%
Idaho	4.8	0.6%	1.9	1.0%	6.7	0.6%
Illinois	16.1	1.9%	5.3	2.6%	21.4	2.1%
Indiana	14.8	1.8%	2.2	1.1%	17.0	1.6%
Iowa	28.6	3.4%	9.1	4.5%	37.7	3.6%
Kansas	37.2	4.5%	5.1	2.5%	42.3	4.1%
Kentucky	2.6	0.3%	2.0	1.0%	4.6	0.4%
Louisiana	5.2	0.6%	6.2	3.1%	11.4	1.1%
Maine	1.0	0.1%	0.1	0.1%	1.1	0.1%
Maryland	1.7	0.2%	0.1	0.1%	1.8	0.2%
Massachusetts	0.1	0.0%	0.1	0.0%	0.2	0.0%
Michigan	9.9	1.2%	1.4	0.7%	11.3	1.1%
Minnesota	72.5	8.7%	14.9	7.4%	87.4	8.4%
Mississippi	5.1	0.6%	2.8	1.4%	8.0	0.8%
Missouri	15.0	1.8%	2.5	1.2%	17.4	1.7%
Montana	7.2	0.9%	3.4	1.7%	10.6	1.0%
Nebraska	29.5	3.5%	5.9	2.9%	35.4	3.4%
Nevada	0.1	0.0%	0.0	0.0%	0.1	0.0%
New Hampshire	0.0	0.0%	0.0	0.0%	0.0	0.0%
New Jersey	0.2	0.0%	0.0	0.0%	0.2	0.0%
New Mexico	2.8	0.3%	0.9	0.4%	3.7	0.4%
New York	0.4	0.1%	0.3	0.1%	0.7	0.1%
North Carolina	45.9	5.5%	2.4	1.2%	48.3	4.7%
North Dakota	107.3	12.9%	22.1	11.1%	129.4	12.5%
Ohio	8.0	1.0%	1.5	0.7%	9.5	0.9%
Oklahoma	34.8	4.2%	2.5	1.2%	37.3	3.6%
Oregon	0.4	0.0%	0.3	0.2%	0.7	0.1%
Pennsylvania	1.9	0.2%	0.3	0.1%	2.1	0.2%
Rhode Island	0.0	0.0%	0.0	0.0%	0.0	0.0%
South Carolina	7.2	0.9%	1.3	0.6%	8.5	0.8%
South Dakota	62.4	7.5%	15.8	7.9%	78.2	7.6%
Tennessee	4.7	0.6%	1.5	0.7%	6.1	0.6%
Texas	167.6	20.1%	61.4	30.7%	229.0	22.1%
Utah	0.3	0.0%	0.0	0.0%	0.3	0.0%
Vermont	0.0	0.0%	0.0	0.0%	0.0	0.0%
Virginia	10.1	1.2%	0.8	0.4%	10.9	1.1%
Washington	1.5	0.2%	1.9	0.9%	3.3	0.3%
West Virginia	0.9	0.1%	0.1	0.0%	0.9	0.1%
Wisconsin	10.3	1.2%	2.4	1.2%	12.7	1.2%
Wyoming	1.7	0.2%	0.2	0.1%	1.9	0.2%
United States	834.4		200.0		1,034.4	

Livestock Disaster Assistance Programs

Program Description:
The Administration seeks authority to operate four programs to assist livestock producers affected by drought and other disasters. These programs are as follows:

- Dire Livestock Emergency Assistance Program (DLEAP)
- Emergency Livestock Products Loss Program (ELPLP)
- Livestock Indemnity Program (LIP)
- Livestock Feed Assistance Program (LFAP)

The Department is currently operating the LIP, the Dairy Production Disaster Assistance Program (a version of ELPLP), and the Foundation Livestock Relief Program (a version of DLEAP) for losses occurred on or before April 30, 1998, using funds from the sale of grain in the feedgrain disaster reserve. Legislative changes mandated by the Federal Agriculture Improvement and Reform Act of 1996 and the FY 1997 supplemental appropriations bill eliminated USDA's authority to replenish the disaster reserve and capped the disaster reserve at 20 million bushels. Since the disaster reserve has been depleted, USDA is unable to operate the LIP, ELPLP, and DLEAP for losses incurred after April 30, 1998. The Department requests $58 million in FY 1999 funding to operate the LFAP, and to cover other 1998 livestock losses, the Department requests an additional $16 million to operate LIP, ELPLP and DLEAP for the period May 1 through December 31, 1998.

Dire Livestock Emergency Assistance Program (DLEAP):
This program, which is projected to cost $2 million for 1998, would provide assistance to producers of foundation livestock in danger of perishing and isolated from normal feed supplies. Blizzards and flooding can cause livestock to become isolated from normal feed supplies. Under this program, USDA would cost-share 30 percent of cost of providing feed to livestock who become isolated from normal feed supplies and are in danger of perishing due to a natural disaster.

Emergency Livestock Products Loss Program (ELPLP):
Under this program, dairy and egg producers would be partially reimbursed for production losses caused by natural disasters. The reimbursement rate would be set at 30 percent of the estimated loss in sales. This program is projected to cost $0.7 million for 1998. A similar program was used to provide assistance to Northeast dairy producers affected by electrical disruptions following ice storms in early 1998.

Livestock Indemnity Program (LIP):
The program, which is projected to cost $13.2 million for 1998, would provide assistance to livestock producers who lost livestock as a result of a natural disaster. To be eligible for assistance, a producer's livestock death loss would have to exceed normal mortality rates. Under the program, compensation would be equal to 30 percent of the estimated value of livestock lost.

Livestock Feed Assistance Program (LFAP):
This program would provide assistance to livestock producers with foundation herds and stocker livestock whose feed supplies have been reduced due to a natural disaster. Eligible producers would be reimbursed for 30 percent of the loss in feed. This program is projected to cost about $58 million.

Crop and Pasture Flood Compensation Program

Program Description:
Under this program, USDA would make annual payments to farmers and ranchers whose crop and pasture land are expected to remain under water for 1 or more years. Eligible land would include crop land or pasture land that is under standing water and expected to remain so for at least one crop year thereby making such land unfit for crop production or grazing. The annual payment under the program would be equal to the rental value of the land.

Flooded acreage covered by crop insurance would become eligible for the program only after crop insurance coverage ends, so farmers and ranchers could not receive assistance in the same year under the proposed program and also receive crop insurance indemnity payments. Once land enrolled land can be cropped or used for grazing the land would become ineligible for benefits under the proposed program.

The Department is currently operating the Disaster Reserve Flood Compensation Program announced by the Secretary on June 8, 1998. This program makes available $12 million remaining from the sale of disaster reserve commodities to compensate only livestock producers who have suffered losses due to long-term flooding. Signup is expected to start in September. Eligible land must have had higher water tables than normal every year beginning in 1993, and due to flooding, be unable to be used for crop production, grazing or haying anytime during the 1998 crop year.

Estimated Program Cost:
USDA projects that enrollment in this program could average 1 to 1.5 million acres per year during FY 1999-2002. With an annual average payment of $40 per acre and 1 to 1.5 million enrolled acres, the expected program cost would range from $40 to $60 million per year, or a midpoint cost of $50 million per year.

Income Loss Adjustment Program

Program Description:
Make supplementary payments in FY 1999 to producers to offset crop income losses due to the effects of low prices and weather. Under the Income Loss Adjustment Program, feed grain, wheat and upland cotton producers would be compensated for 30 percent of the projected drop in 1998 gross income from the 1993-97 average. Payments to individual producers would be based on Agricultural Marketing Transition Act (AMTA) payment production.

Estimated Loss in Income:
Based on USDA's most recent forecasts released on August 12, 1998, gross income for feed grains, wheat and upland cotton in 1998 is projected to be $40.2 billion in 1998, compared with the 1993-97 average of $44.5 billion (table 1). Since the gross income of rice producers in 1998 is projected to exceed the 1993-97 average–$2.22 billion in 1998 compared with the 1993-97 average of $2.08 billion--rice producers would not be eligible for compensation under the proposed program.

The gross incomes of sorghum, barley, oat, upland cotton and wheat producers are all projected to fall by 15 percent or more in 1998 compared with the 1993-97 average. The gross income of corn producers is projected to drop by about 4 percent in 1998. With the exception of upland cotton, the primary reason for the projected drop in gross income in 1998 is lower farm prices. Weather problems and reduced production throughout the South and in California are the major reason for the drop in gross income for upland cotton in 1998.

	1993-97 avg.	1998F	Change
		Mil. $	
Corn	24,125	23,275	-850
Sorghum	1,682	1,347	-335
Barley	1,043	871	-172
Oats	293	239	-54
Wheat	10,131	8,512	-1,619
Upland Cotton	7,223	5,909	-1,314
Total	44,497	40,153	-4,344

Estimated Payment Rates:
Supplementary payments totaling 30 percent of the projected loss in gross income in 1998 compared with the 1993-97 average would be paid out to producers based on AMTA payment production. The actual payment rate for each crop for 1998 and the projected payment rate under the proposed program are shown below and table 2 indicates projected payments by state under the proposed program:

Estimated Payment rates ($/unit) and payments (mil. $) for 1998:

	Wheat	Corn	Sorghum	Barley	Oats	Cotton	Rice	Total
1998 PFC:								
Rate	0.66	0.37	0.45	0.28	0.03	0.080	2.94	
Total	1,503	2,652	290	122	9	646	485	5,707
Proposal Program:								
Rate	0.21	0.04	0.16	0.12	0.05	0.049	0	
Total	486	255	101	52	16	394	0	1,303

Table 1--Gross Income for Wheat, Feed Grains, Upland Cotton and Rice by Crop Year.

		1993	1994	1995	1996	1997	1993-97 ave.	1998F
Wheat:								
Production	Mil. Bu.	2,396	2,321	2,183	2,285	2,527	2,342	2,549
Market Price	Dol./Bu.	3.26	3.45	4.55	4.30	3.40	3.79	2.75
Value of Production	Mil. Dol.	7,811	8,007	9,933	9,826	8,592	8,834	7,009
Government Payments	Mil. Dol.	1,900	1,146	101	1,941	1,397	1,297	1,503
Gross Income	Mil. Dol.	9,711	9,153	10,034	11,767	9,989	10,131	8,512
Corn:								
Production	Mil. Bu.	6,336	10,103	7,374	9,293	9,366	8,494	9,592
Market Price	Dol./Bu.	2.50	2.26	3.24	2.71	2.45	2.63	2.15
Value of Production	Mil. Dol.	15,840	22,833	23,892	25,184	22,947	22,139	20,623
Government Payments	Mil. Dol.	1,520	3,199	82	1,745	3,384	1,986	2,652
Gross Income	Mil. Dol.	17,360	26,032	23,974	26,929	26,331	24,125	23,275
Upland Cotton:								
Production	Mil.Bales	15.76	19.32	17.53	18.41	18.25	17.85	13.80
Market Price	Dol./Cwt.	58. 1	72.0	75.4	69.3	64.8	67.9	68.0
Value of Production 1/	Mil. Dol.	5,102	7,448	7,074	7,017	6,508	6,630	5,263
Government Payments	Mil. Dol.	1,357	280	3	699	625	593	646
Gross Income	Mil. Dol.	6,459	7,728	7,077	7,716	7,133	7,223	5,909
Rice:								
Production	Mil. Cwt.	156.1	197.8	173.9	171.3	178.9	175.6	177.7
Market Price	Dol./Cwt.	7.98	6.78	9.15	9.96	9.65	8.70	9.75
Value of Production	Mil. Dol.	1,246	1,341	1,591	1,706	1,726	1,522	1,733
Government Payments	Mil. Dol.	784	614	471	455	448	554	485
Gross Income	Mil. Dol.	2,030	1,955	2,062	2,161	2,174	2,076	2,218

1/Includes the value of cottonseed.

		1993	1994	1995	1996	1997	1993-97 ave.	1998F
Sorghum:								
Production	Mil. Bu.	534	649	460	803	653	620	529
Market Price	Dol./Bu.	2.31	2.13	3.19	2.34	2.20	2.43	2.00
Value of Production	Mil. Dol.	1,234	1,382	1,467	1,879	1,437	1,480	1,057
Government Payments	Mil. Dol.	154	292	25	201	338	202	290
Gross Income	Mil. Dol.	1,388	1,674	1,492	2,080	1,775	1,682	1,347
Barley:								
Production	Mil. Bu.	398	375	360	396	374	381	374
Market Price	Dol./Bu.	1.99	2.03	2.89	2.74	2.35	2.40	2.00
Value of Production	Mil. Dol.	792	761	1,040	1,085	879	912	749
Government Payments	Mil. Dol.	204	163	40	137	113	131	122
Gross Income	Mil. Dol.	996	924	1,080	1,222	992	1,043	871
Oats:								
Production	Mil. Bu.	207	229	162	155	176	186	177
Market Price	Dol./Bu.	1.36	1.22	1.67	1.96	1.60	1.56	1.30
Value of Production	Mil. Dol.	282	279	271	304	282	283	230
Government Payments	Mil. Dol.	12	16	3	9	8	10	9
Gross Income	Mil. Dol.	294	295	274	313	290	293	239

Table 2--Payments Equal to 30 Percent of Difference Between 1993-97 Average Minus 1998 Projected Gross Income (Mil.$).

	Wheat	Corn	Sorghum	Barley	Oats	Cotton	Rice	Total
AL	1.7	0.6	0.3	0.0	0.1	16.4	0.0	19.0
AK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AZ	1.7	0.1	0.1	0.2	0.0	22.5	0.0	24.6
AR	9.7	0.2	3.4	0.0	0.1	26.8	0.0	40.1
CA	9.0	0.9	0.1	1.5	0.1	43.0	0.0	54.7
CO	17.5	3.3	1.3	1.3	0.1	0.0	0.0	23.5
CT	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
DE	0.3	0.3	0.0	0.1	0.0	0.0	0.0	0.8
FL	0.3	0.3	0.1	0.0	0.0	2.4	0.0	3.1
GA	4.7	1.6	0.4	0.0	0.1	27.7	0.0	34.6
ID	17.8	0.2	0.0	5.7	0.1	0.0	0.0	23.9
IL	12.4	41.5	1.6	0.0	0.4	0.0	0.0	55.9
IN	6.5	20.6	0.1	0.0	0.1	0.0	0.0	27.3
IA	0.5	51.1	0.1	0.0	1.8	0.0	0.0	53.5
KS	78.6	6.3	31.3	0.8	0.4	0.0	0.0	117.5
KY	3.4	4.4	0.3	0.1	0.0	0.0	0.0	8.2
LA	1.9	0.6	1.4	0.0	0.0	32.2	0.0	36.2
ME	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.2
MD	1.0	1.2	0.1	0.2	0.0	0.0	0.0	2.5
MA	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
MI	5.4	8.0	0.0	0.2	0.5	0.0	0.0	14.2
MN	22.3	23.2	0.0	4.9	2.0	0.0	0.0	52.4
MS	3.3	0.4	1.1	0.0	0.0	49.0	0.0	53.8
MO	14.7	7.4	6.9	0.1	0.1	8.8	0.0	38.0
MT	33.7	0.2	0.0	9.6	0.4	0.0	0.0	43.8
NE	18.2	28.7	16.6	0.3	0.9	0.0	0.0	64.7
NV	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.4
NH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NJ	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.4
NM	2.5	0.4	1.8	0.1	0.0	2.5	0.0	7.2
NY	1.1	2.7	0.0	0.1	0.3	0.0	0.0	4.1
NC	3.8	3.0	0.2	0.2	0.1	12.9	0.0	20.1
ND	64.2	2.1	0.0	14.4	2.0	0.0	0.0	82.6
OH	9.7	12.4	0.0	0.0	0.3	0.0	0.0	22.5
OK	40.9	0.4	2.6	0.1	0.2	8.6	0.0	52.8
OR	10.4	0.1	0.0	1.2	0.1	0.0	0.0	11.9
PA	0.6	2.1	0.0	0.2	0.3	0.0	0.0	3.2
RI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SC	2.4	1.0	0.1	0.1	0.1	7.0	0.0	10.7
SD	20.5	8.3	2.0	3.0	2.8	0.0	0.0	36.5
TN	3.3	1.7	0.6	0.0	0.0	15.9	0.0	21.6
TX	29.7	5.6	28.0	0.2	0.6	117.3	0.0	181.3
UT	1.5	0.1	0.0	0.6	0.0	0.0	0.0	2.2
VT	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2
VA	1.8	1.3	0.1	0.4	0.0	1.1	0.0	4.8
WA	25.8	0.3	0.0	4.4	0.0	0.0	0.0	30.5
WV	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.3
WI	1.1	11.7	0.0	0.4	1.6	0.0	0.0	14.8
WY	1.5	0.2	0.0	0.6	0.1	0.0	0.0	2.4
Total U.S.	485.7	255.0	100.5	51.6	16.2	394.2	0.0	1,303.2

Ag. Emergency

Agriculture Disaster and Income Assistance
September 1998

The Current Problem

- Farmers and ranchers in some regions are suffering the effects of multiple natural disasters in recent years, such as flooding and diseased crops in the Northern Plains. These successive disasters have reduced crop insurance coverage for these farmers and eroded their ability to weather economic downturns. Also, drought is a major problem for the Texas and Oklahoma region.

- This year, the major problem is not crop losses from natural disasters but low commodity prices for bumper crops. Market prices for wheat, corn, soybeans, and livestock are at their lowest level in years, and exports are down due to the Asian economic crisis and generally strong global crop production. As a result, USDA estimates net cash farm income will drop by $7.5 billion, or 12 percent, in 1998 compared with last year.

What's Being Done - Under Current Law

- Since 1994, crop insurance has been the central component of the farm income safety net. For the 1998 crop, crop insurance payments are expected to be slightly above the 5-year average of $1.24 billion, with the most payments going to cotton producers.

- In addition, the 1996 Farm Bill provides income assistance to wheat, corn, cotton, and rice farmers (guaranteed "transition" or "AMTA" payments). These payments are statutorily fixed at $5.8 billion in FY 1998 and $5.6 billion in FY 1999. In early August, the President signed a law enabling farmers to receive their FY 1999 payment in one lump-sum as early as this October, rather than half in December and half the following September as under previous law.

- A key, but often overlooked, part of the safety net is the fact that USDA guarantees a floor on crop prices through its marketing loan program. Farmers take out these 9-month loans from USDA at harvest time based on a statutory "loan rate" or price per bushel. If market prices drop below the loan rate, farmers can repay the loan at the lower market price per bushel, retain and sell their crop, and the government bears the loss. In the last month, nearly $200 million in marketing loan gains have been paid, and current projections are that at least $2.4 billion will be paid on the 1998 crop over the next several months.

What's Being Done - Recommended Emergency Assistance

- Supplemental crop insurance payments would be made to those who had crop insurance loss payments in 3 out 5 years, 1994-1998, at an estimated cost of $835 million. (Alternatively, 1993-1997 could be an additional base period that, when combined with the 1993-1998, would provide $1.05 billion.)

- Compensation for flooded crop and pasture land - $50 million, largely in the Dakotas.
- Livestock disaster program - $20 million for feed assistance in future natural disasters.
- Farm credit - $10 million in loan subsidy BA to fund over $350 million in farm operating loans.
- USDA staff costs - $10 million to support an addition 1,000 USDA county office employees for three months through the assistance application period.

9/3/98

AGRICULTURE DISASTER AND INCOME LOSS PROPOSALS

(dollars in millions)

	USDA	Alternative	comments
Emergency Package			
1. Supplemental crop insurance			
- 3 losses in 5 years ('93-97,98)	1,050	835 or	'94-98 preferable
- require county trigger		750?	handle inequities in appeal
2. Crop and pasture flood compensation	50	50	
3. Livestock disaster programs	74	20	refined estimate
4. Other needs			
- farm credit	44	10	operating credit only
- FSA staff	40	10	1/4 year S&E cost estimate
- risk management education	5	0	treat in '00 budget
- plant and animal disease	50	0	treat in '00 budget
- Forest Service	44	10	refined estimate
Subtotal for Emergency	1,357	935 - 800	
Income Assistance (offset)			
5. Income loss adjustment program	1,300	below	USDA - 30% of drop from '93-97 avg gross income
Options:			
- cover 25% of loss not 30%		1,083	
- cover 15% of loss not 30%		650	
- compute loss from 1990-97 average income		800	more realistic than 5 yr
- include marketing loan gains in income		1,200	emerging large payments
- include crop insurance indemnities in income		1,100	'98 is larger than average
- eliminate overlap with Supp.Crop Insurance Benefit		1,125	weakens crop insurance
- target payments to lower-income farmers		1,170	$250,000 gross receipts
6. Uncap marketing loan rates		5,000	add to $2.4 billion '98/99 gains under current law
Option:			
- cover only first 1,000 bushels/farmer		525	could dial up or down
GRAND TOTAL	2,657	?	

Offsets

Terminate '99 EEP - $550 million in FY 1999 — exports problem/no CBO score

Target marketing loan gains - $125 ++ million in FY 1999 — outlays growing + $2 billion

INCOME LOSS ADJUSTMENT PROGRAM ALTERNATIVES

1. Compute the loss from the 1990-97 average income level, and reimburse 25 percent of the loss in 1998 for producers with gross farm income below $240,000. $540 million

   Offset: suspend EEP in FY 1999 from the authorized level, except for $10 million to fund previously announced poultry bonuses: $540 million

2. Compute the loss from the 1990-97 average income level, considering crop insurance indemnities as income, and reimburse 25 percent of the loss in 1998 for producers with gross farm income below $200,000. $250 million

   Offset: suspend EEP in FY 1999 to the amount that the President's Budget requested funding, less $70 million for possible specific trade policy retaliation: $250 million

Agriculture Disaster and Income Assistance
September 1998

The Current Problem

- Farmers and ranchers in some regions are suffering the effects of multiple natural disasters in recent years, such as flooding and diseased crops in the Northern Plains. These successive disasters have reduced crop insurance coverage for these farmers and eroded their ability to weather economic downturns. Also, drought is a major problem for the Texas and Oklahoma region.

- This year, the major problem is not crop losses from natural disasters but low commodity prices for bumper crops. Market prices for wheat, corn, soybeans, and livestock are at their lowest level in years, and exports are down due to the Asian economic crisis and generally strong global crop production. As a result, USDA estimates net cash farm income will drop by $7.5 billion, or 12 percent, in 1998 compared with last year.

What's Being Done - Under Current Law

- Since 1994, crop insurance has been the central component of the farm income safety net. For the 1998 crop, crop insurance payments are expected to be slightly above the 5-year average of $1.24 billion, with the most payments going to cotton producers.

- In addition, the 1996 Farm Bill provides income assistance to wheat, corn, cotton, and rice farmers (guaranteed "transition" or "AMTA" payments). These payments are statutorily fixed at $5.8 billion in FY 1998 and $5.6 billion in FY 1999. In early August, the President signed a law enabling farmers to receive their FY 1999 payment in one lump-sum as early as this October, rather than half in December and half the following September as under previous law.

- A key, but often overlooked, part of the safety net is the fact that USDA guarantees a floor on crop prices through its marketing loan program. Farmers take out these 9-month loans from USDA at harvest time based on a statutory "loan rate" or price per bushel. If market prices drop below the loan rate, farmers can repay the loan at the lower market price per bushel, retain and sell their crop, and the government bears the loss. In the last month, nearly $200 million in marketing loan gains have been paid, and current projections are that at least $2.4 billion will be paid on the 1998 crop over the next several months.

What's Being Done - Recommended Emergency Assistance

- Supplemental crop insurance payments would be made to those who had crop insurance loss payments in 3 out 5 years, 1994-1998, at an estimated cost of $835 million. (Alternatively, 1993-1997 could be an additional base period that, when combined with the 1993-1998, would provide $1.05 billion.)

- Compensation for flooded crop and pasture land - $50 million, largely in the Dakotas.
- Livestock disaster program - $20 million for feed assistance in future natural disasters.
- Farm credit - $10 million in loan subsidy BA to fund over $350 million in farm operating loans.
- USDA staff costs - $10 million to support an addition 1,000 USDA county office employees for three months through the assistance application period.

9/3/98

AGRICULTURE DISASTER AND INCOME LOSS PROPOSALS

(dollars in millions)

	USDA	Alternative	comments
Emergency Package			
1. Supplemental crop insurance			
- 3 losses in 5 years ('93-97,98)	1,050	835 or	'94-98 preferable
- require county trigger		750?	handle inequities in appeal
2. Crop and pasture flood compensation	50	50	
3. Livestock disaster programs	74	20	refined estimate
4. Other needs			
- farm credit	44	10	operating credit only
- FSA staff	40	10	1/4 year S&E cost estimate
- risk management education	5	0	treat in '00 budget
- plant and animal disease	50	0	treat in '00 budget
- Forest Service	44	~~10~~	refined estimate
Subtotal for Emergency	1,357	935 - 800	
		+54	
Income Assistance (offset)			
5. Income loss adjustment program	1,300	below	USDA - 30% of drop from '93-97 avg gross income
Options:			
- cover 25% of loss not 30%		1,083	
- cover 15% of loss not 30%		650	
- compute loss from 1990-97 average income		800	more realistic than 5 yr
- include marketing loan gains in income		1,200	emerging large payments
- include crop insurance indemnities in income		1,100	'98 is larger than average
- eliminate overlap with Supp.Crop Insurance Benefit		1,125	weakens crop insurance
- target payments to lower-income farmers		1,170	$250,000 gross receipts
6. Uncap marketing loan rates		5,000	add to $2.4 billion '98/99 gains under current law
Option:			
- cover only first 1,000 bushels/farmer		525	could dial up or down
GRAND TOTAL	2,657	?	

Offsets

Terminate '99 EEP - $550 million in FY 1999 — exports problem/no CBO score

Target marketing loan gains - $125 ++ million in FY 1999 — outlays growing + $2 billion

INCOME LOSS ADJUSTMENT PROGRAM ALTERNATIVES

1. Compute the loss from the 1990-97 average income level, and reimburse 25 percent of the loss in 1998 for producers with gross farm income below $240,000. — $540 million

   Offset: suspend EEP in FY 1999 from the authorized level, except for $10 million to fund previously announced poultry bonuses: $540 million

2. Compute the loss from the 1990-97 average income level, considering crop insurance indemnities as income, and reimburse 25 percent of the loss in 1998 for producers with gross farm income below $200,000. — $250 million

   Offset: suspend EEP in FY 1999 to the amount that the President's Budget requested funding, less $70 million for possible specific trade policy retaliation: $250 million