From Disaster Relief

FAX COVER SHEET

U.S. DEPARTMENT OF AGRICULTURE
Office of the Under Secretary
Farm and Foreign Agricultural Services
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250-0105

Fax No: (202) 720-8254
Telephone: (202) 720-3111

Date: 12/9/98

TO: Tom Freedman

FAX NO: 456-7431

PAGES: ______ (including cover)

FROM:

- ☐ AUGUST SCHUMACHER
- ☐ DALLAS R. SMITH
- ☐ JIM SCHROEDER
- ☐ TERESA GRUBER
- ☒ JOHN WINSKI
- ☐ BUTCH MAY
- ☐ KATHY BLYTHE
- ☐ JACKIE BURRELLO
- ☐ VICKIE PAIGE

COMMENTS:

Attachment

Revised 1100 on 12/9 by wmb.

DRAFT

Tom Amontree (202) 720-4623
tom.amontree@usda.gov
Larry Mitchell (202) 720-3865
larry_mitchell@wdc.fsa.usda.gov
Eric Edgington (202) 690-2539
eric.edgington@wdc.fsa.usda.gov

GLICKMAN ANNOUNCES PLAN TO DISTRIBUTE $2.4 BILLION IN DISASTER RELIEF FOR FARMERS

WASHINGTON, December XX, 1998 -- Agriculture Secretary Dan Glickman today announced that the Department of Agriculture will start a sign up in * ________ 1999 to begin distributing $2.375 billion in disaster relief to farmers. Today's announcement is another phase of disbursing funds recently passed in appropriations legislation that will send almost $6 billion to farmers and ranchers suffering economic hardships because of low prices and natural disasters.

"The President worked hard to secure Congressional passage of this aid package to cushion the blows of adverse foreign markets and natural disasters. And USDA is committed to implementing it in a timely manner, so family farmers can bounce back and plant a spring crop," Glickman said. "In addition to providing relief for disaster, the package encourages farmers to use crop insurance in two ways: it compensates at a higher rate those who were insured, and it provides incentives to all farmers to purchase higher levels of crop insurance in the future."

"I am especially enthusiastic about the unique aspect of this program to use about $400 million as incentives to encourage all farmers to buy higher levels of crop insurance for the 1999 crop year," Glickman said. "That money will provide a price break to farmers who buy insurance above the minimal level for their 1999 crops. This Administration is working to strengthen crop insurance as an essential element of agriculture's safety net and this special premium assistance will help us transition to the comprehensive improvements we have to make for the future."

All farmers who suffered qualifying losses are eligible for relief, regardless of the crops they produced and what part of the country they farmed. Farmers may apply for whichever is the greater of compensation for their crop losses in 1998 or for losses in any three of the five years, 1994-1998, but not both. Farmers with multi-year losses

3

will be able to claim payments based on recorded, documented losses only. No farmer will receive more than $100,000 under the program and those with gross incomes of more than $2.5 million are not eligible.

Sign up for the disaster relief payments will begin in ________. Farmers can apply and get more information from their local Farm Service Agency office. USDA expects to begin paying approved losses in the spring of 1999, after review and processing of all applications.

Farmers who have carried crop insurance will be paid at a higher rate than farmers who did not. Farmers with qualifying losses and who are eligible under the Non-insured Assistance Program, or NAP, will receive the higher reimbursement also.

The program will provide up to $30 million for acreage that was flooded for an extended period of time and was not eligible for prevented planting payments in 1998. The package also includes help for farmers whose crops have suffered multiple outbreaks of fusarium head blight (scab).

In November, USDA distributed $2.8 billion to farmers in income loss assistance to offset low commodity prices. On November 23, USDA started sign up for the $200 million livestock assistance Program for ranchers hit by drought and loss of forage in 1998. On ________, USDA started making available additional payments funded in the FY1999 budget bill for programs that closed earlier this year in the following amounts: $6.8 million to dairy producers under the Dairy Production Disaster Assistance program, $4 million under the livestock indemnity program, and $14 million to orchard growers hit by natural disasters. ?

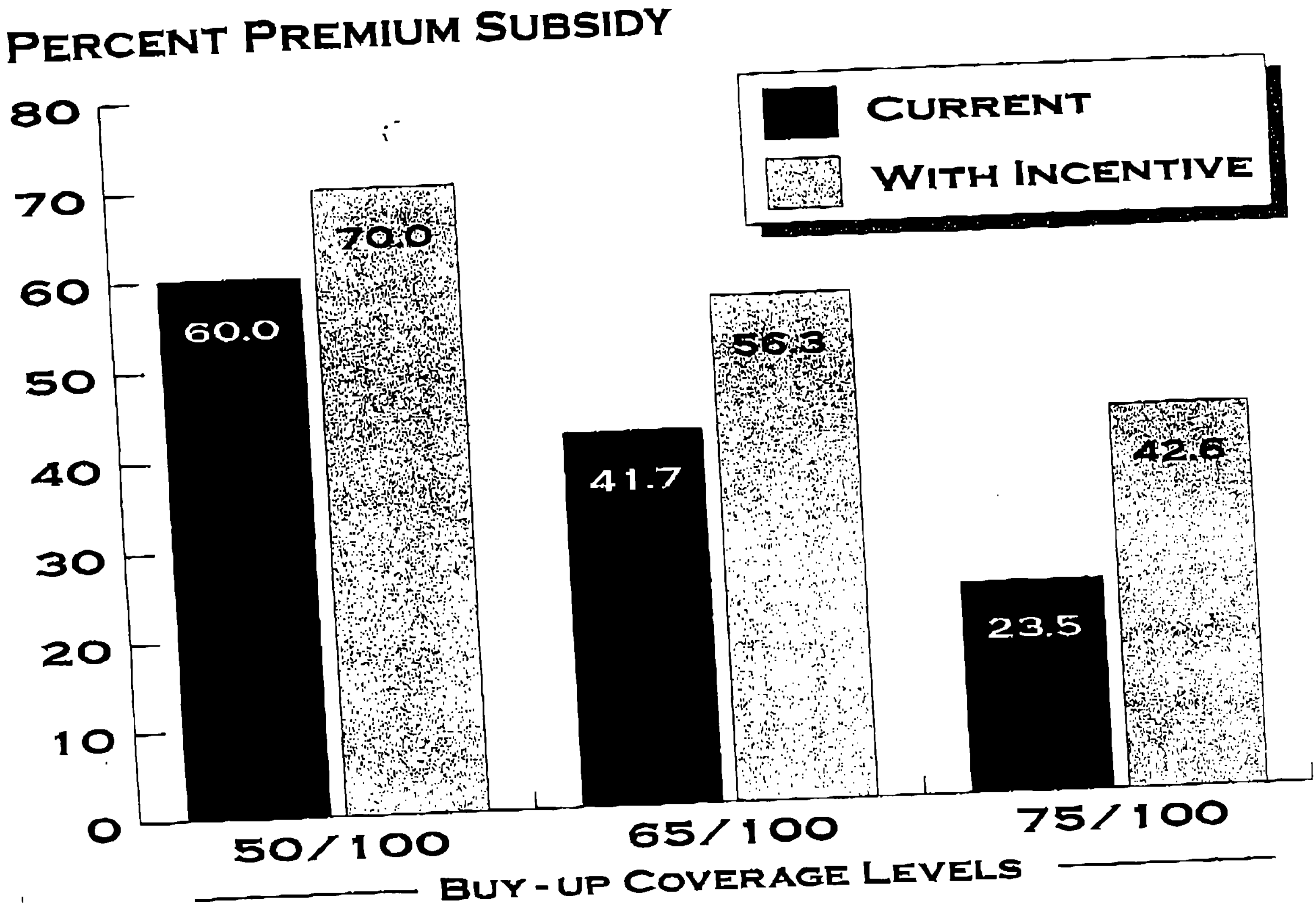
###

Why not name the program here (TAP?)

Note to Greg -
FSA is concerned that including this in the news release may inflame other part of the country with aflatoxin & other diseases. Gus feels we should leave it in for N.D delegation - your call!
[illegible]

1999 Crop Insurance Premium Discount Incentives (CIPDI)

(Assuming 25% Premium Discount)



Notes: Subject to proration.
CIPDI determined using farmer-paid premium as basis for calculating the amount of additional subsidy.
Premium subsidies may vary depending on the type of insurance plan purchased.

DRAFT December 9, 1998 (3:54pm)

Emergency Relief (ER)

Statutory Authority

Congress authorized the Secretary of Agriculture to distribute $2.375 billion in emergency financial assistance to farmers who have suffered crop losses due to natural disasters and to encourage farmers to buy crop insurance in the future.

Types of Assistance

Compensation is available either for losses suffered in the 1998 crop year **(singleyear)** or losses in any three or more crop years between and including 1994 to 1998 **(multiyear)**. Farmers can receive compensation under either the singleyear or multiyear provisions, but not both. Payment will be made at the higher of the two levels.

The plan includes help for farmers with acreage that was flooded for an extended period of time and for those whose crop suffered multiple outbreaks of fusarium head blight (scab).

About $400 million will be used as an incentive to ~~all~~ farmers to purchase higher levels of crop insurance in the future.

Eligible Crops

The **1998 singleyear** provisions of this program covers all crops, as follows:

- **insured crops** - crops for which the producer obtained either Catastrophic (CAT) or Buy-Up (coverage of 50/100 or greater);

- **uninsured crops** - crops for which crop insurance was available, but not taken; and
- **noninsurable crops** - crops for which crop insurance was not available.

The **multiyear** provisions of this program covers:

- **insured crops**; and
- **noninsurable crops**.

Flooded Land

Compensation will be made available to farmers with land that is:

- flooded;
- expected to be out of production indefinitely; and
- not eligible for crop insurance prevented planting coverage.

Payment Calculation

Farmers will be compensated if **1998 singleyear** losses exceed 35 percent of historic yields. The payment formulas below provide greater benefits to farmers who bought insurance on their eligible crops.

- Farmers with eligible losses of **insured** crops will be compensated at a rate of **65 percent** of crop insurance market price elections.

- Farmers with eligible losses to **uninsured** crops will be compensated at a rate of **60 percent** of the crop insurance market price elections, and must agree to buy crop insurance for the 1999 and 2000 crop years.

- Farmers with eligible losses of **noninsurable** crops will be compensated at a rate of **65 percent** of the five-year average National Agricultural Statistics Service (NASS) price. Noninsured Crop Disaster Assistance Program (NAP) area loss triggers will not apply.

- Historic yields will be based on the greater of the five-year average NASS county yield or the crop insurance yield or NAP expected yield.

Under the **multiyear** provisions of this program;

- **Insured** farmers with losses in three or more years from 1994 through 1998, will be compensated with an additional payment equal to 25 percent of insurance claim payments made during that period; and farmers with eligible losses of **noninsured** crops will be compensated with an additional payment equal to 25 percent of projected 1994-1998 losses. NAP area loss triggers will not apply.

Crop Insurance Premium Incentive Discount (CIPID)

Up to $400 million will be used as an incentive for farmers to buy higher levels of crop insurance in the future. Farmers who insured their 1998 or prior year's crop will get a special 25-35 percent one-time premium discount on buy-up coverage. This incentive is the first element of USDA's plan to strengthen the crop insurance portion of the farm safety net for future years.

Adjustments and Limits to Benefits

Payments to farmers will be prorated after all applications are reviewed in order to stay within the programs requirements and budget. No farmer will receive more than $100,000 under this program nor more than $100,000 in crop insurance incentive. No one with an annual gross income of $2.5 million or more is eligible.

When and Where to Apply

Signup will begin __________. Farmers should contact their local USDA Service Center or FSA office at that time for more information. Crop loss payments will be made in early spring, after all claims information has been processed and factors applied. To get a crop insurance premium discount, farmers should contact a crop insurance agent.

####