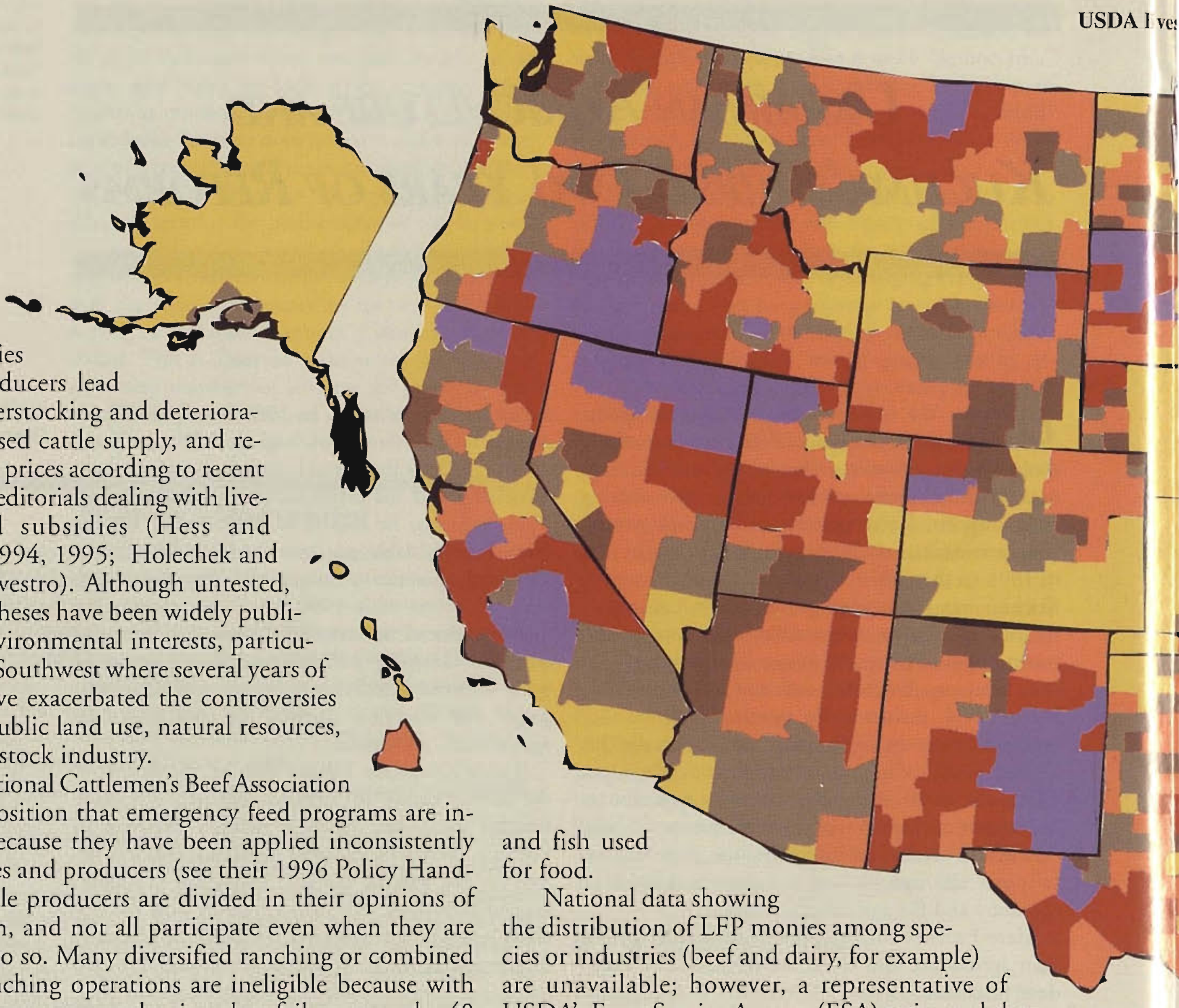
Graphically speaking

Livestock Feed Subsidies

by Rhonda K. Skaggs, Constance L. Falk, and Kim Hancock



Feed subsidies to beef producers lead to range overstocking and deterioration, increased cattle supply, and reduced cattle prices according to recent articles and editorials dealing with livestock feed subsidies (Hess and Holechek 1994, 1995; Holechek and Hess; DiSilvestro). Although untested, these hypotheses have been widely publicized by environmental interests, particularly in the Southwest where several years of drought have exacerbated the controversies regarding public land use, natural resources, and the livestock industry.

The National Cattlemen's Beef Association holds the position that emergency feed programs are inequitable because they have been applied inconsistently among states and producers (see their 1996 Policy Handbook). Cattle producers are divided in their opinions of the program, and not all participate even when they are eligible to do so. Many diversified ranching or combined farming/ranching operations are ineligible because with grain or forage crop production they fail to meet the 40 percent feed loss threshold required by the program.

Emergency livestock assistance, commonly referred to as the Livestock Feed Program (LFP), was authorized by the Agriculture Act of 1949 as amended by the Disaster Assistance Act of 1988 and the Disaster Assistance Act of 1989. The objective of the LFP was to provide feed assistance to livestock owners in areas where the secretary of agriculture determined that an emergency existed due to disease, insect infestation, flood, drought, fire, hurricane, earthquake, hail storm, hot weather, cold weather, freeze, snow, ice, winterkill, or other natural disaster. The feed assistance was designed to prevent reductions in livestock numbers and fluctuations in livestock prices. "Livestock" was defined to mean cattle, sheep, goats, swine, poultry, equine animals used for food or in the production of food, and fish used for food.

National data showing the distribution of LFP monies among species or industries (beef and dairy, for example) are unavailable; however, a representative of USDA's Farm Service Agency (FSA) estimated that in recent years 75 to 80 percent of the funds were dedicated to beef cattle, 15 to 20 percent went to dairy cattle, and less than 5 percent went to swine and other species (Newcomer). Estimates of subsidy payments per animal, per animal unit month (AUM), or on any other basis are not kept. For federal fiscal years (FFY) 1992–96, the total feed subsidies were approximately $356,611,061 (USDA). County-level distribution of feed subsidies are illustrated in figure 1 for FFY 1992–96.

Requests to implement LFP were initiated by county Agricultural Stabilization and Conservation Service (ASCS, now FSA) committees or by the state governor. Producers in approved counties or in counties contiguous to an approved county who suffered at least a 40 percent loss of feed production could apply for assistance at their local

The authors are, respectively, associate professors in the Department of Agricultural Economics and Agricultural Business, and graduate research assistant in the Department of Geography, New Mexico State University.

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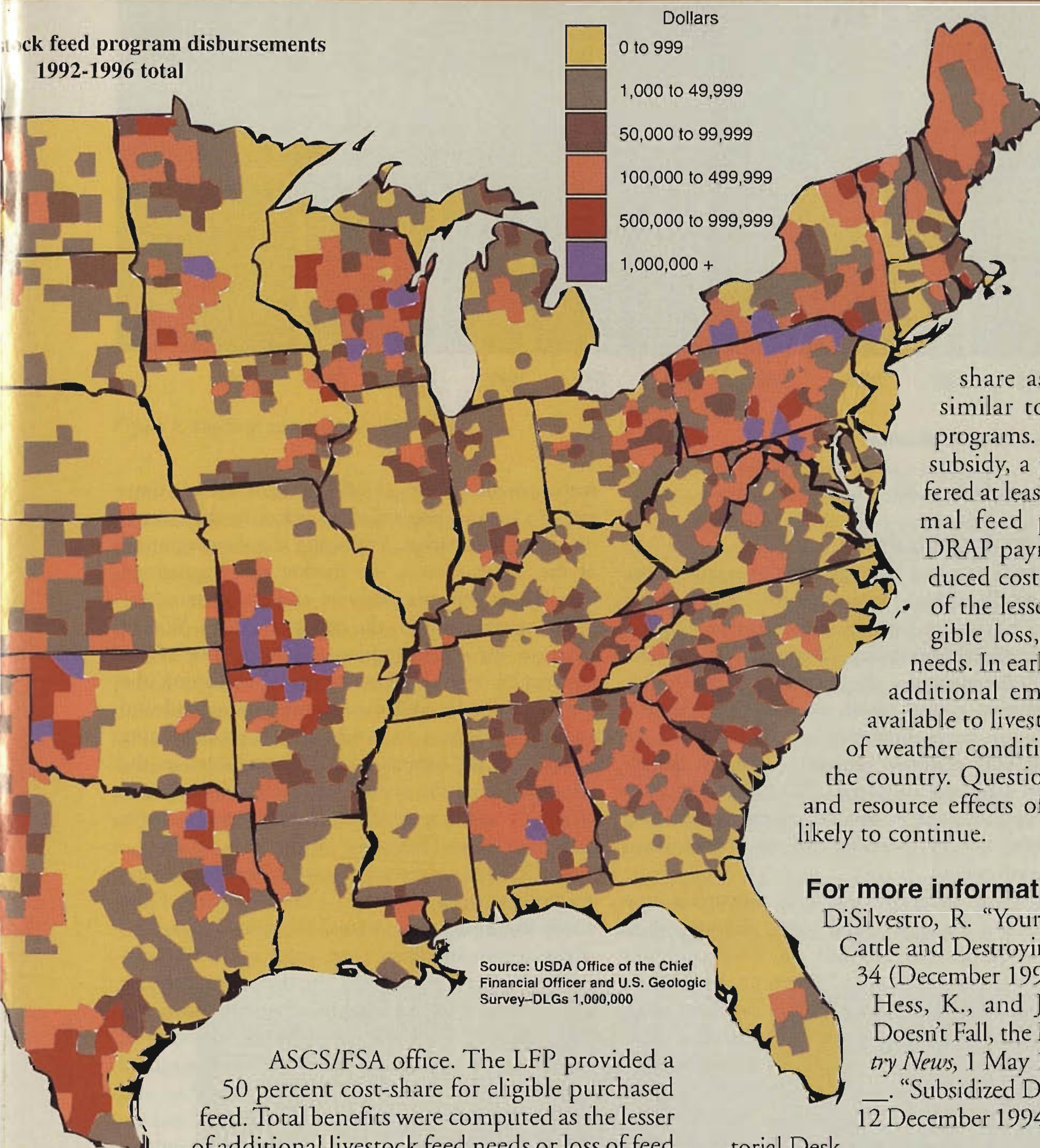

Source: USDA Office of the Chief Financial Officer and U.S. Geologic Survey–DLGs 1,000,000

ASCS/FSA office. The LFP provided a 50 percent cost-share for eligible purchased feed. Total benefits were computed as the lesser of additional livestock feed needs or loss of feed production.

The Federal Agricultural Improvement and Reform Act of 1996 suspended the USDA's authority to carry out LFP through 2002. However, a new program was introduced in both the House and Senate in May 1996 and received strong bipartisan support. Congressional efforts to assist the livestock industry were superseded by an executive order signed by President Clinton in July 1996. This order authorized funding of the Disaster Reserve Assistance Program (DRAP) through the sale of reserve feed grains. Since July 1996, DRAP has provided feed cost-share assistance under criteria similar to previous feed subsidy programs. To be eligible for a DRAP subsidy, a producer must have suffered at least a 40 percent loss of normal feed production; however, DRAP payments are made at the reduced cost-share rate of 30 percent of the lesser of the value of the eligible loss, or the additional feed needs. In early 1997, the USDA made additional emergency feed assistance available to livestock producers as a result of weather conditions in several regions of the country. Questions regarding the market and resource effects of feed subsidies are thus likely to continue.

For more information

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