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Eligibility and Payment Requirements of the Disaster Assistance Package

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Eligibility and Payment Requirements of the Disaster Assistance Package

The details of the disaster assistance package, approved earlier this fall by Congress, were outlined by President Clinton in his weekly radio address (12/12/98). The package provides \$2.375 billion for financial assistance to farmers who have suffered losses due to natural disasters. Of this sum, \$1.975 billion has been set aside for crop losses and \$400 million has been earmarked for incentive payments on crop insurance participation. Crop loss disaster assistance is available for all crops included in either federal crop insurance or the Noninsured Crop Disaster Assistance Program (NAP). Pasture losses are not covered here, but may be covered under the Livestock Assistance Program.

Producers may qualify for crop loss compensation on either a single year (1998) or multi-year (1994-1998) basis.

Single Year Requirements

- For 1998 crop losses, crop loss compensation is available for all crops, whether insured or not. In fact, those who signed waivers for disaster assistance are eligible for compensation.
- Yields below 65 percent of historical yields qualify a producer for compensation. In other words, a yield shortfall is prerequisite for crop loss compensation.
- Historical yields will be the greater of the five-year average National Agricultural Statistics Service (NASS)

county yield, the crop insurance yield, or the Non-Insured Crop Disaster Assistance Program (NAP) expected yield.

- CARD has the 1993-1997 average NASS county yields for corn and soybeans in Iowa, and producers may check these averages to determine if they are eligible for crop loss compensation. If their approved crop insurance yield is less than the five-year average NASS yield for their county, then the crop loss compensation is based on the NASS county yield.
- The payment structure for the 1998 crop losses varies, depending on whether producers had, or were eligible for, crop insurance. The following conditions apply.
 - Farmers who purchased crop insurance and have eligible losses in 1998 will receive compensation at 65 percent of crop insurance price elections, in addition to their insurance claim payment.
 - Farmers who did not purchase crop insurance, but have eligible losses in 1998 can receive compensation at 60 percent of crop insurance price elections. Farmers under these requirements must also agree to purchase crop insurance in both 1999 and 2000. The crop insurance policy

may be catastrophic (CAT) or buy-up coverage.

- Farmers with eligible losses in 1998 of non-insurable crops will receive compensation at 65 percent of the five-year NASS price. The NAP area loss triggers will not be in effect.

Multi-year Requirements

- For multi-year crop losses, farmers will be eligible for compensation if they have suffered losses in at least three years during 1994 to 1998 and have participated in crop insurance or NAP over this time period.
- Compensation will be made through an additional payment of 25 percent of the total insurance claim payment received from 1994 to 1998. For example, if a producer had received insurance claim payments in 1994, 1995, and 1997 for a total of \$20,000, they are eligible for additional compensation of \$5,000.

If producers qualify under both the single and multi-year losses, they are eligible to receive the higher payment of the two. Prevented planting losses are covered under both the single and multi-year provisions. Eligibility for payments will be calculated on a unit basis following crop

insurance or NAP rules, provided acceptable production evidence.

The incentive payments for crop insurance participation will be given as premium discounts on all insurance coverage above the catastrophic (CAT) policies. All producers are eligible for 25 to 35 percent discounts on producer-paid premiums for buy-up coverage in 1999.

The sign-up for crop loss payments begins February 1, 1999, at local Farm Service Agency (FSA) offices. Sign-up ends March 12, 1999. These payments will be made later this spring, after all claims have been reviewed. Payments will be pro-rated to meet the budget requirements. For the crop insurance premium discounts, producers should consult a crop insurance agent. Local FSA offices have a list of agents in the area.

Both the crop loss payments and the value of the premium discounts are limited to \$80,000 per farmer. No producer with an annual gross income of \$2.5 million or more is eligible for these benefits.

To help clarify some of the eligibility issues, CARD has constructed the following hypothetical example of a 100-acre corn farm.

Table 1. Farm and County Corn Yields from 1988–1998.

Year	Farm Yield (bu/acre)	County Yield (bu/acre)
1998	84	84
1989	118	118
1990	126	126
1991	117	117
1992	147	147
1993	80	80
1994	65	152
1995	60	123
1996	138	138
1997	138	138
1998	60	145

Assuming the farmer had purchased a 65% yield/100% price Actual Production History (APH) insurance policy from 1994 on, the farmer's insurance transactions are given in Table 2.

Table 2. Farmers' Insurance Transactions

Year	Ins. Yield (bu./acre)	Yield Trigger for 65% APH	Actual Yield (bu/acre)	Ins. Price (\$/bu)	Ins. Payment
1994	112	72.8	65	\$2.40	\$1,872.00
1995	105	68.4	60	\$2.25	\$1,898.04
1996	100	64.8	138	\$2.65	\$0.00
1997	104	67.5	138	\$2.45	\$0.00
1998	107	69.7	60	\$2.60	\$2,533.70
Total					\$6,303.74

In this scenario, the farmer is eligible for compensation from the disaster assistance package under both the single (1998) and multi-year loss requirements.

Under the single year loss, since the five-year average (1993-1997) county yield is greater than the farmer's crop insurance yield (126 versus 107), the farmer's crop loss compensation is based on the five-year average county yield. The farmer would receive \$3,718.00 for the single year loss in

addition to the crop insurance claim payment.

- The calculation of the payment: $(100 \text{ acres}) * (65\% \text{ of } \$2.60/\text{bu}) * ((65\% \text{ of } 126 \text{ bu/acre}) - 60 \text{ bu/acre}) = \$3,718.00$

Under the multi-year loss, the farmer would receive \$1,575.93, or 25 percent of his/her 1994-98 crop insurance claim payments.

Since only one of the payments can be claimed, the single year crop loss compensation of \$3,718.00 takes precedence.

If this farmer did not have crop insurance in 1998, then he/she is eligible only for the single year loss compensation

and would receive \$3,432.00 for the single year loss.

- The calculation of the payment: $(100 \text{ acres}) * (60\% \text{ of } \$2.60/\text{bu}) * ((65\% \text{ of } 126 \text{ bu/acre}) - 60 \text{ bu/acre}) = \$3,432.00$

Farmers should check their yields against the county average yields. In the example, any yield below 82 bu/acre would qualify the producer for compensation.

Figure 1. 1998 Crop Insurance Price Elections for Iowa

		Crop Insurance Price Elections	65% of the price	60% of the price
Barley	(\$/bu.)	\$2.20	\$1.43	\$1.32
Corn	(\$/bu.)	\$2.60	\$1.69	\$1.56
Oats	(\$/bu.)	\$1.60	\$1.04	\$0.96
Sorghum	(\$/bu.)	\$2.30	\$1.50	\$1.38
Soybean	(\$/bu.)	\$6.00	\$3.90	\$3.60
Wheat	(\$/bu.)	\$3.65	\$2.37	\$2.19

Figure 2. 1993-1997 Average Nass County Soybean Yields for Iowa

County	5-year average county yields (bu/acre)	65% of average (bu/acre)
Adair	38.1	24.7
Adams	39.0	25.3
Allamakee	43.1	28.0
Appanoose	36.3	23.6
Audubon	43.7	28.4
Benton	45.6	29.6
Black Hawk	45.8	29.8
Boone	44.9	29.2
Bremer	44.9	29.2
Buchanan	44.4	28.8
Buena Vista	45.1	29.3
Butler	44.1	28.6
Calhoun	44.8	29.1
Carroll	44.2	28.7
Cass	39.9	25.9
Cedar	47.8	31.1
Cerro Gordo	40.4	26.2
Cherokee	6.4	30.2
Chickasaw	42.1	27.4

Figure 2. Continued

County	5-year average county yields (bu/acre)	65% of average (bu/acre)
Clarke	33.9	22.0
Clay	40.7	26.5
Clayton	46.1	30.0
Clinton	48.4	31.5
Crawford	44.3	28.8
Dallas	44.1	28.6
Davis	38.3	24.9
Decatur	35.2	22.9
Delaware	47.2	30.7
Des Moines	43.8	28.5
Dickinson	39.2	25.5
Dubuque	46.2	30.0
Emmet	38.3	24.9
Fayette	44.9	29.2
Floyd	42.6	27.7
Franklin	41.5	27.0
Fremont	41.0	26.7
Greene	45.1	29.3
Grundy	47.3	30.8
Guthrie	41.8	27.2
Hamilton	43.7	28.4
Hancock	39.8	25.9
Hardin	44.9	29.2
Harrison	42.2	27.4
Henry	46.7	30.4
Howard	39.2	25.5
Humbolt	43.3	28.1
Ida	46.2	30.1
Iowa	43.5	28.3
Jackson	45.3	29.5
Jasper	46.7	30.4
Jefferson	42.3	27.5
Johnson	42.5	27.6
Jones	46.0	29.9
Keokuk	44.9	29.2
Kossuth	39.2	25.5
Lee	44.0	28.6
Linn	43.1	28.2
Louisa	43.1	28.0
Lucas	35.2	22.9
Lyon	43.5	28.3

Figure 2. Continued

County	5-year average county yields (bu/acre)	65% of average (bu/acre)
Madison	39.5	25.7
Mahaska	45.9	29.8
Marion	42.0	27.3
Marshall	48.5	31.5
Mills	40.4	26.3
Mitchell	41.1	26.7
Monona	40.6	26.4
Monroe	38.0	24.7
Montgomery	38.9	25.3
Muscatine	44.0	28.6
O'Brien	42.8	27.8
Osceola	39.3	25.6
Page	38.7	25.2
Palo Alto	39.1	25.4
Plymouth	46.3	30.1
Pocahontas	43.2	28.1
Polk	45.8	29.8
Pottawattamie	43.2	28.1
Poweshiek	44.7	29.1
Ringgold	34.7	22.6
Sac	46.0	29.9
Scott	50.4	32.8
Shelby	45.7	29.7
Sioux	47.8	31.1
Story	45.8	29.8
Tama	46.3	30.1
Taylor	35.5	23.1
Union	35.2	22.9
Van Buren	40.3	26.2
Wapello	42.9	27.9
Warren	39.5	25.7
Washington	46.1	29.9
Wayne	35.2	22.9
Webster	44.3	28.8
Winnebago	37.8	24.6
Winneshiek	42.1	27.4
Woodbury	41.0	26.7
Worth	39.7	25.8
Wright	41.2	26.8

Figure 3. 1998 Crop Insurance Price Elections for Iowa

		Crop Insurance Price Elections	65% of the price	60% of the price
Barley	(\$/bu.)	\$2.20	\$1.43	\$1.32
Corn	(\$/bu.)	\$2.60	\$1.69	\$1.56
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sorghum	(\$/bu.)	\$2.30	\$1.50	\$1.38
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Wheat	(\$/bu.)	\$3.65	\$2.37	\$2.19