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AGRICULTURAL DISASTER RELIEF

Y 4. AG 8/1:103-34

Agricultural Disaster Relief, Seria...

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

JULY 14, 1993

Serial No. 103-34



Printed for the use of the Committee on Agriculture

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CONTENTS

	Page
Clayton, Hon. Eva M., a Representative in Congress from the State of North Carolina, prepared statement	18
de la Garza, Hon. E (Kika), a Representative in Congress from the State of Texas, opening statement	1
Prepared statement	4
The President's proposal	8
Kingston, Hon. Jack, a Representative in Congress from the State of Georgia, prepared statement	34
Nussle, Hon. Jim, a Representative in Congress from the State of Iowa, prepared statement	47
Roberts, Hon. Pat, a Representative in Congress from the State of Kansas, opening statement	15

WITNESS

Rominger, Richard, Deputy Secretary, U.S. Department of Agriculture	21
Prepared statement	66

SUBMITTED MATERIAL

Chite, Ralph M., Environment and Natural Resources Policy Division, Congressional Research Service, Library of Congress, CRS issue brief, "Agricultural Disaster Assistance"	75
Hefner, Hon. W.G. (Bill), a Representative in Congress from the State of North Carolina, letter of July 14, 1993	85

AGRICULTURAL DISASTER RELIEF

WEDNESDAY, JULY 14, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The committee met, pursuant to call, at 2 p.m., in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives English, Stenholm, Volkmer, Penny, Johnson, Sarpalius, Long, Condit, Peterson, Clayton, Minge, Hilliard, Barlow, Pomeroy, Baesler, Thurman, Bishop, Lambert, Roberts, Emerson, Gunderson, Lewis, Smith of Oregon, Combest, Barrett, Nussle, Ewing, Kingston, Goodlatte, Dickey, and Smith of Michigan.

Staff present: Vernie Hubert, chief counsel and legislative director; Fred J. Clark, deputy chief counsel; Gary R. Mitchell, minority staff director; William E. O'Conner, Jr., minority policy coordinator; John E. Hogan, minority counsel; Glenda L. Temple, clerk; Howard Conley, James A. Davis, and Merv Yetley.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. The committee will be in order.

We have convened today so that our committee may get a better understanding of the magnitude of the weather-related crop damage that has occurred for this year and the actions taken by the Department of Agriculture to help affected farmers and businessmen.

We have asked officials of the Department of Agriculture to come and visit with us on this issue. We expected Secretary Espy to be with us today, but he is in Iowa accompanying the President. So we have the Deputy Secretary, Mr. Rominger, to speak in his behalf and bring us up to date on the administration's actions taken to help farmers and rural businesses affected by the natural disasters up to now.

We were handed this—the President's proposal—a few minutes ago. I hope that you are acquainted with it, Mr. Rominger, because we may want to visit with you on some of these areas so that we might see just what kind of a package we need in order to address this issue. I know that some of our committee members here represent some of the flood areas. They have seen them firsthand.

But we also have a much larger problem. Shortly before I left last night, I had a call from big Jim Graham, my good friend and buddy, commissioner of agriculture from North Carolina, who cau-

tioned me not to get carried away with all the flooding because the dust is flying over North Carolina and they are in an extreme drought condition.

So I do hope that both the administration and us, as we address this issue, don't follow the cameras, but rather go to the root of the cause and address all of the areas. A disaster is a disaster is a disaster. Whether it is drought or whether it is flood or whether it is hail or whether it is a freeze or whether it is a hurricane, it all comes down to the same: Farmers lose, homes are destroyed, businesses are damaged.

So shortly before we left for the Fourth of July recess, I, along with 25 or 26 other members, introduced H.R. 2579 to authorize a crop disaster assistance program modeled after the 1-year disaster provisions contained in the 1990 farm bill. There is also another possible legislative route that we might work through—a supplemental appropriations bill.

I would caution the administration on that area. We feel that some of the areas to be addressed need to be done in the legislative process rather than in appropriations legislation, although we would not stand in the way of assistance to those in need. I would hope that working together, we might be able to provide that assistance.

The problem that we have now is that many of our members and many people who are in disaster areas, feel that they are going to get a check from the Government in the next couple of weeks. I don't think that this is legislatively possible. We also have to ascertain, the Department has to ascertain, FEMA, the Federal Emergency Management Agency, has to ascertain the extent of the damage.

So we hope that members of our committee and other Members in the House who represent areas that have experienced disaster, particularly those in the Midwest, but not excluding any of the other areas—Texas, North Carolina, the Southeast—will work together. This is one of the areas that we hope to explore today with Deputy Secretary Rominger.

I want to assure those that have concern in your particular areas or for your neighbors, that we will be addressing the issue under the legislative authority given to this committee. We will work with all of the members. We will work with all of the Members of the House. We will work with the administration. Everyone wants to bring the speediest assistance that we can to those in need. This is being done.

And I want to, at this point, commend the Salvation Army, the Red Cross, the several States. In my State, I had one county, almost all of the county flooded, and all of the resources of the State of Texas were made available. I was terribly impressed by the efficiency and the cooperation of the Red Cross, particularly their volunteers. These are people who leave their work, who take vacation time, who come to work with the Red Cross volunteers.

In Williamson County and in Raymondville, they became a part of the community. They worked with the emergency management people in that community. They worked with the State of Texas. They worked with the Federal Government. It was as beautiful an operation as possible, under very difficult circumstances, and sadly

that is how we met so many of them. They were there. I cannot commend them too highly, because they were there and most of them volunteers. I am sure that that has been the situation with all of the members who have experienced the recent disasters.

[The prepared statement of Mr. de la Garza follows:]

**Statement of Rep. Kika de la Garza (D-TX)
Chairman, House Agriculture Committee**

**Committee Hearing to Review Agricultural Disaster Relief
Wednesday, July 14, 1993**

Today's hearing has been convened so that the Committee on Agriculture can get a better understanding of the magnitude of the weather-related crop damage that has occurred so far this year, and the actions taken by the Department of Agriculture to help affected farmers and rural businesses.

We have asked officials from the Department of Agriculture to appear here today to provide preliminary estimates of the extent of crop losses throughout the country, most particularly the losses caused by the wet weather and the flooding in the Upper Midwest. While it's difficult to accurately estimate losses at this stage, we need the best information available to begin assessing policy options for both disaster relief this year and program operations next year.

We have also asked the Department to bring us up-to-date on the administrative actions taken to help the farmers and rural businesses affected by these natural disasters. It is vital that the Federal agencies provide victims with quick, coordinated and compassionate assistance where it's most needed, when it's most needed.

Finally, we want to discuss with the Deputy Secretary and the other Department officials the crafting of the disaster relief package for farmers and rural businesses that the President has pledged to submit.

I believe the Federal government should assist the victims of the flooding and alleviate at least some of the financial losses suffered by farmers at the hands of Mother Nature. I know that several of our Committee members here today represent portions of the flooded areas. They have seen first-hand the flooded homes, the flooded fields and the flood of heartache that has been caused by the rising rivers.

This Committee stands ready to work with the Administration to expedite the consideration of a disaster relief measure that alleviates at least some of the financial losses these farmers have suffered and help them and other rural businesses get back on their feet.

There are several legislative strategies Congress can take in providing disaster relief to farmers. Shortly before the Fourth of July break, we laid the groundwork for one option when I -- along with 26 other members of this Committee -- introduced a bill (H.R. 2579) to authorize a crop disaster assistance program modeled after the one-year disaster provisions contained in the 1990 farm bill.

[However, the Administration and we in the Congress may decide moving a supplemental appropriations bill -- without the benefit of an authorization bill -- is the more expeditious route to providing assistance.]

Whatever route is chosen, I would suggest that Congress should craft a disaster relief package open to all producers hit by weather-related disasters this year. Obviously, the wet weather and flooding in the Upper Midwest is devastating. But other parts of the country have problems too. There are drought conditions in the Southeast. Parts of Texas, including in my district, are experiencing problems. And who knows what Mother Nature will give us between now and harvest time.

This is what we intend to discuss at this hearing. Secretary Espy had intended to be here this afternoon, but he is with the President in the Des Moines area today assessing the flood damages there. We appreciate the presence of Deputy Secretary Richard Rominger in his first appearance before the full Committee. We look forward to working with him and the Department in crafting and enacting a disaster relief package.

(Attachment follows:)

#

THE PRESIDENT'S PROPOSAL

The President has proposed emergency Fiscal Year 1993 supplemental appropriations to provide for the most urgent needs arising from the consequences of the recent heavy rains and flooding along the Mississippi River. The President has asked the Congress to handle this legislation as quickly as possible. The proposal includes additional funding for the Department of Agriculture, the Corps of Engineers, the Federal Emergency Management Agency, the Department of Transportation, the Small Business Administration, the Department of Housing and Urban Development, the Department of Commerce, and the Department of Health and Human Services. With respect to USDA, the President's proposal has two components:

FARM DISASTER PAYMENTS

- This request would provide additional funds to make disaster payments to farmers with 1993 crop losses resulting from flooding in the Midwest and other natural disasters.
- The request will ensure that all eligible 1993 disaster claims will be prorated by the previously employed factor of 50.04 percent so that the Secretary of Agriculture can immediately assist farmers with losses on 1993 crops. This is the same level of assistance provided to victims of other recent disasters such as Hurricane Andrew.
- Assistance to producers with losses due to the flooding in the Midwest or other natural disasters occurring before August 1 would be immediately eligible for assistance. Producers with losses on the 1993 crop due to a 1993 natural disaster declared by the President after August 1 would also be eligible for assistance.
- Under the proposal, a total of \$700 million would be immediately available to make disaster payments to farmers. This includes \$100 million remaining from previous disaster payment appropriations which was recently released by the President for use in meeting 1993 crop losses, and a request for additional appropriations of \$600 million.
- The proposal further requests an additional \$300 million in contingency funding which would be made available by the President if necessary.
- Finally, if the full \$1 billion provided by these requests prove to be inadequate to make USDA disaster payments at the same level used to assist producers affected by Hurricane Andrew, the President would have authority to authorize the use of funds of the Commodity Credit Corporation to make up the difference. The ability to use the Commodity Credit Corporation, thus, assures that we will be able to meet this commitment without further action by the Congress, the same capability we had following Hurricane Andrew.

EMERGENCY CLEANUP ACTIVITIES

The request includes a total of \$45 million for USDA programs which can be of assistance to land owners and communities in emergency cleanup activities including debris removal and cleanup and restoration of farmland.

\$20 million of this amount would be provided for the Emergency Conservation Program of the Agricultural Stabilization Conservation Service which would be available to provide cost shares of up to 64 percent with land owners to help in these activities.

The request also includes \$25 million for the Emergency Watershed Program of the Soil Conservation Service (SCS). The SCS will work with local communities and officials in providing technical assistance and cost sharing for actions needed to open and restore water courses and protect homes, businesses, schools, road crossings, agricultural land, and other structures. SCS has teams out in the affected States, and will move swiftly as the water subsides.

ASCS FARM PROGRAM CHANGES

Waiver of Minimum Size and Width Requirements. Producers will be permitted to designate small wet acres (minimum size .1 acre) as acreage conservation reserve (ACR) or conserving use (CU) acres. Currently, the minimum size is 5 acres. This will increase a producer's flexibility in dealing with the abnormal weather conditions.

Availability of 0/92 Program. Availability of 0/92 program for farmers who have enrolled in the program that have been prevented from planting or have failed acres are eligible to participate in the 0/92 program. Producers will have until July 31 to select this program option.

Extend Time for Requesting Prevented Planted Credit. The prevented planting deadline will be extended. Producers will therefore have until July 31 to file a request for prevented planted credit. This action will provide farmers with additional time to make such a request.

Extend Crop Reporting Dates. The reporting dates for spring seeded crops is being extended to July 31 in States affected by the unprecedented adverse weather conditions. The window of opportunity for producers to make program choices, such as the 0/92 program, is extended with this action.

Refund of Advanced Deficiency Payments. When producers are prevented from planting corn and opt out of the program to plant soybeans, any advanced deficiency payments will be due. Affected producers will be allowed to refund the unearned payments within 30 days or arrangements can be made to repay in installments at the lowest allowable interest rates. This action provides repayment under reasonable terms. Waiver of the refund of these advance deficiency payments is prohibited by law.

Coordinated Services. I have directed the Federal farm service agencies to coordinate their activities in this effort to expedite service to producers.

ADDITIONAL ASCS FARM PROGRAM CHANGES

(Released 7/14/93)

- **Farmer-Owned Reserve Loans.** The Department is in the process of amending the Farmer Owned Reserve (FOR) regulations to allow producers to enter the FOR. A new sign-up period for the FOR will be offered to allow producers who did not file an intention to enter the FOR during the sign-up period that previously ended April 30. Producers with warehouse-stored FOR loans would be allowed to rotate warehouse loan collateral with farm-stored new crop production.
- **Loan Extensions.** Regulations are being amended to allow producers in disaster affected areas with 1992 wheat or feedgrain loans that mature in June, July, or August the opportunity to request to extend such loans until September 30, 1993. Producers in disaster affected areas with 1992 soybean loans that mature in June, July, or August would be given the opportunity to request a delay of settlement of such loans until September 30, 1993.
- **Conservation Reserve Program.** ASCS has been directed to expeditiously handle requests in disaster affected counties for release of Conservation Reserve Program (CRP) acreage for emergency haying and grazing on a county-by-county basis. This will allow producers who utilize their CRP acreage for haying/grazing to sell or rent for unrestricted use. The annual CRP payment will be reduced by 50 percent for the acreage hayed or grazed.

FMIHA DISASTER ASSISTANCEFarmer Programs

- FmHA will be making available emergency loans for physical losses to pay for replacement of buildings, equipment, livestock and supplies lost, to the extent that insurance proceeds will not cover the loss. Current loan terms are 4.5 percent interest with up to a 40-year repayment period.
- Emergency loans will be made available and can be made for production losses to cover a shortfall in income, due to reductions in production as a result of the disaster. Loan funds can be used to pay creditors, buy feed and pay operating and family living expenses. To qualify, an individual must have at least a 30 percent loss on 1 crop or livestock enterprise. The loan amount will be 80 percent of the loss amount with terms of 4½ percent interest, up to 20 years.
- FmHA will provide loan guarantees, with up to a 4 percent interest subsidy, can be made for operating and real estate purposes (purchase or refinance feed, seed, fertilizer, livestock, supplies, etc.). Terms are negotiated with the lender.
- FmHA will also make available direct operating and real estate loans to farmers at regular or limited resource rates.
- Loans which cannot be repaid may be restructured at limited resource rates and maximum terms. If necessary, up to \$300,000 of FmHA debt can be written off to create a positive cash flow for the farmer. Payments may be deferred up to 5 years.
- FmHA is prepared to waive various administrative requirements in disaster areas in order to facilitate and streamline loan processing. FmHA will work closely and coordinate with other Federal agencies in providing these Federal resources.

Rural Housing

- FmHA will authorize a moratorium on FmHA housing loan payments to assist borrowers whose homes or employment have been impacted in disaster area.
- FmHA will authorize use of single family housing inventory property to be made available to displaced families on a short-term basis.
- FmHA will make available vacant 515 multi-family units to displaced families on a short-term basis.
- Reserve loan funds in the amount of \$2 million for those borrowers who are not covered by insurance. FEMA or SBA will be made available.

Community and Business Assistance

- Program authorizations can be utilized in Presidentially declared natural disaster situations. Under these authorizations, the Rural Development Administration (RDA) could provide loan and grant assistance for water and waste disposal systems and business and industry purposes. These authorities are limited to the repair and rehabilitation of actual uninsured losses not covered by assistance from FEMA.
- Community and business assistance under RDA's on-going programs may also be provided in disaster areas.

FNS FOOD ASSISTANCE PROGRAMSEmergency Food Stamps

- Food stamps can be made available on an emergency basis to low income households who have lost income to purchase food. A request for emergency food stamp assistance from Illinois has already been approved. Other States are expected to apply soon. The Department is working with State officials and quick approval of requests is expected.

Emergency Food Distribution

- .. USDA can make and is making available commodities for distribution to disaster areas where grocery stores are not in operation. Thus far, all requests for commodity assistance have been met. Small quantities of USDA donated foods have been used to support meal services of disaster relief agencies like the Red Cross in South Dakota, Illinois, and Missouri.

The CHAIRMAN. I would yield at this point to Mr. Roberts, the ranking minority member. Then I would hope that we would go right to Mr. Rominger and we will do the usual process of questions.

Mr. Roberts.

OPENING STATEMENT OF HON. PAT ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. ROBERTS. Thank you, Mr. Chairman.

I wish to associate myself with his remarks and welcome Mr. Rominger. I guess the chairman pretty well summed it up. When we have the worst of times, we see the best in people. And we are looking forward to working with you.

I want to highlight again or emphasize the chairman's remarks in regards to the disaster legislation that is pending before this committee. I would tell the chairman there is going to be an effort on the floor, probably not successful, to take 1 or 2 percent from the current appropriation bill to help pay for the disaster assistance with the same kind of amendment to be offered.

But with the other spending bills that we have, I don't know if that would be a possibility or not. But the thing that concerns me, as I have been scanning the President's report, is that apparently we have an open line of credit here in terms of disaster assistance, and then we will be coming up with a supplemental from the CCC funding.

I think a more balanced approach based on the disaster legislation would certainly be more in keeping with what most members of the committee would prefer. Sixty counties, Mr. Chairman, in Kansas, I think would be eligible for disaster assistance. Out of the 105 we have, it is the eastern third, and due to reapportionment now I have some of those counties. It is the biggest flood since 1951.

I know that Mr. Volkmer and others have indicated to me that it is the largest whether in terms of loss and water, whatever, for what I think it was 500 years in terms of—I don't know how far back you go in that respect, but—

Mr. VOLKMER. Not quite that far.

Mr. ROBERTS. Not quite that far. But it is extremely serious.

Mr. Chairman, I am concerned that we have already spent \$300 million for quality losses in moneys that totaled about \$500 million when this year started. And I think, historically, we have not done that on the Agriculture Committee, despite the hardship that has been suffered in various tragedies at different times. And also, that we are going to explore the possibility of all crops as opposed just to program crops.

Now, I can recall in past incidences of national disaster, that just as soon as we were trying to help folks with a particular payment, with a disaster bill, we had people, everybody from I guess apples to zucchini saying what about us? And it poses a very difficult problem for the ASCS to administer. How do you determine a quality loss?

I still maintain, had USDA not gone down the program crop road, and we should be very careful when we go down that road, that we can do a better job in terms of being cost-effective.

I want to thank you, sir, for holding this hearing. I want to again welcome Mr. Rominger. And I want to thank Congressman Nussle, our colleague from Iowa, who has been a leading advocate in asking for hearings and also asking for some cost-effective assistance, thank you, Jim, for your leadership on this.

And I yield back, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Very briefly, we are very happy to have you, Secretary Rominger, and let me just ask a very brief question.

This President's proposal, which I have, refers to States experiencing flooding in the Midwest and other natural disasters. Does this cover the disaster problems raised by my friend, Jim Graham, in North Carolina?

Mr. ROMINGER. Yes, it does.

The CHAIRMAN. Thank you. Second, prorated by previously employed factor of 50.4 percent. Is this a level of proration of the amount of funding that you are looking at?

Mr. ROMINGER. This is the level of funding that was provided for victims of Hurricane Andrew and that the committee settled on before, and so we were using the same figure.

The CHAIRMAN. You would do the same in this event?

Mr. ROMINGER. Yes.

The CHAIRMAN. And \$700 million would be immediately available to make disaster payments to farmers. What do you mean by immediately available?

Mr. ROMINGER. If the Congress approves the President's request, that money would be available so that we could begin payments as soon as the farmers file their claims.

The CHAIRMAN. And \$100 million remaining from previous disaster payments will be used?

Mr. ROMINGER. That is the \$100 million that the President approved previously, earlier this month, just about a week ago.

The CHAIRMAN. And then additional appropriations of \$600 million?

Mr. ROMINGER. The \$100 million and the \$600 million make up the \$700 million, then that would be immediately available.

The CHAIRMAN. And then a further request of an additional \$300 million in contingency funding?

Mr. ROMINGER. That \$300 million would only be available if the President comes back and asks for that additional amount of funding.

The CHAIRMAN. Now, we have had many requests and there is a great interest that this may be the time for us to address the issue of crop insurance. I am going to let the chairman of the subcommittee address that issue when I recognize him.

In the meantime, if I might, with the permission of the committee, introduce some friends that we have here visiting. We have from the department of agriculture of Lithuania, Mr. Abugelis, are you here? Laibus.

Mr. Winiarczyk from Poland, jackshimas.

And Mr. Lukac from Slovakia, vitam vas vo zybore pre zemedelstvi. I just said hello in their languages. And I was going to say that we were expecting a vote about 2:20 p.m., and here we are.

I think probably it would be best if we recessed for the members to vote and return immediately. And then we will begin with Mr. English. And you might want to read the President's proposal, Mr. Rominger, what he sent to us. I hope it jives with what they told you.

The committee will stand recessed momentarily.

[The prepared statement of Mrs. Clayton follows:]

Congress of the United States
House of Representatives
Washington, DC 20515-3301

STATEMENT OF REP. EVA M. CLAYTON
COMMITTEE ON AGRICULTURE
14 JULY 1993

Thank you Mr. Chairman for your thoughtfulness in holding this hearing on such a timely issue. I believe that your bill, H.R. 2597, of which I am a co-sponsor, addresses the desperate problem confronting our nation's farmers across the country. I am also pleased to see that the President and Secretary Espy have taken immediate action in regards to responding to the needs created by natural calamities.

I am saddened to see the massive destruction caused by the flooding throughout large portions of the Midwest. I have watched in amazement the images and pictures of

the flooded areas as they have made their way across our televisions and newspapers. In my State of North Carolina, I have personally witnessed the devastation of hundreds of acres of crops due to the drought conditions created by extreme heat. Our corn and soybean crops have been hit particularly hard--representing what may be a national crisis in those crop markets. Other crops in my district such as peanuts, cotton, and tobacco have also sustained considerable damage.

Mr. Chairman, I know that other parts of the country, including Georgia, have also suffered immense agricultural devastation due to the extreme weather conditions. In this respect, I would urge my colleagues to support your efforts to extend the disaster provisions of the 1990 Farm Bill to 1993 and subsequent years. Stated simply, H.R. 2579 is a fair and effective means to alleviate our nation's farming community. Not only does this legislation continue an already successful mechanism

for individual disaster assistance, but it does not discriminate against any specific region in this country. This bill provides support for farmers who can prove they have sustained specified yield losses on any crop regardless if they farm in Iowa or my State of North Carolina.

In light of the problems that confront our nation's farmers, we are compelled to provide assistance. It is imperative that we help effected agricultural communities in the process of recovering from unforeseen tragedy. I welcome Secretary Espy to this hearing and urge him to continue the good work he has put forth on behalf of American agriculture. I know that the Administration will provide the needed leadership to resolve this crisis. Again, thank you Mr. Chairman for your efforts. Thank you.

[Recess taken.]

The CHAIRMAN. The committee will be in order.

Thank you, Mr. Secretary. I know that you have a prepared statement, which without objection from the members, we will insert in the record. And then if you want to make a short presentation, we would recognize you for that at this point.

STATEMENT OF RICHARD ROMINGER, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY STEVE DEWHURST AND SCOTT STEELE, OFFICE OF BUDGET AND PROGRAM ANALYSIS; SHARRON LONGINO, FARMERS HOME ADMINISTRATION; KATHLEEN CONNELLY AND BOB FENTON, FEDERAL CROP INSURANCE CORPORATION; RANDY WEBER, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE; KEITH COLLINS, ECONOMIC RESEARCH SERVICE; AND RAYMOND MOTHA, METEOROLOGIST

Mr. ROMINGER. Thank you, Mr. Chairman. As you indicated, Secretary Espy would be here, except he is in the Midwest today with the President, taking another look at the extent of the flood damage there. I also viewed some of that damage on Monday when I was in Illinois and Missouri with the Vice President. So I can attest that certainly there is extensive flooding and damage taking place in that area.

I would like to just hit the highlights of some of the things that I wanted to bring to you this morning, and then we certainly would be prepared to answer questions.

Mr. Chairman and members of the committee, I welcome this opportunity to discuss the Midwest disaster caused by excessive moisture and flooding. The Midwest disaster has inundated farm fields, farm structures, dwellings, and community water systems, and it has increased the need for food assistance.

These effects all involve responsibilities of the Department of Agriculture. June rainfall in much of the Corn Belt was more than 200 percent of normal, with many localities exceeding 10 inches for the month. And during just July 1 to 12, rainfall continued to exceed 200 percent of normal, with some areas exceeding 700 percent of normal.

We are continuing to evaluate the potential crop losses. On Monday the 12th of July, the Department issued a tentative assessment of the reduction in the national crop production due to weather conditions to that date. Monday's report indicates substantial reductions in corn and soybean acreage and yields from the levels expected just a month ago.

USDA now estimates that approximately 800,000 fewer acres of corn will be harvested. Corn production is forecast at 7.85 billion bushels, 650 million less than was projected in May and June. For soybeans, the harvested acres are expected to be 2.5 million below the June 30 estimate.

Mr. Chairman, there is a great deal of interest in the losses by crop and by State. However, we cannot yet provide such estimates with precision. The magnitude of the losses to date is of extreme concern to the affected farmers and the residents of the Midwest. However, the losses are not of the magnitude to jeopardize the U.S. food supply, or significantly affect food supplies.

The main effect of the higher soybean and corn prices is an increase in the cost of producing meat. However, U.S. meat supplies are ample and meat prices have been strong enough that the rain-induced increases in feed costs are likely to have only very modest effects on meat production and prices.

Prior to the flooding in the Midwest, the Department's forecast for the Consumer Price Index for food during 1993 was a very modest increase of 2 to 3 percent. Our food CPI forecasts of 2 to 3 percent increase is unlikely to change due to the rains, and we anticipate no significant food price effects carrying into 1994. Because food accounts for only 16 percent of the CPI for all items, virtually no effect on inflation is expected.

Those in agriculture most seriously affected by the rains in the Midwest are the producers that face destroyed or damaged crops. This administration is focusing its attention on finding appropriate ways to assist those who are suffering crop losses. USDA is using existing authorities to expeditiously assist farmers and others adversely affected by weather conditions.

We have announced a number of farm program changes that permit farmers greater flexibility to draw upon existing programs for assistance. We are also making credit and loan guarantees available to cover losses and we are providing food assistance to those in the affected areas. With regard to the commodity price support and adjustment programs, the Agricultural Stabilization and Conservation Service has extended reporting dates for spring-seeded crops in States affected by the unprecedented adverse weather conditions to July 31.

This change will give farmers a window of opportunity to make program choices appropriate for their circumstances. Through the Farmers Home Administration, we will also be providing low interest emergency loans to cover production and other losses, making emergency shelter available, restructuring existing loans that cannot be repaid due to the disaster, and expediting our emergency assistance procedures.

The Rural Development Administration will assist rural communities and businesses affected by the flooding by providing low-interest loans and grant assistance for repair and rehabilitation of uninsured water and waste disposal systems not covered by assistance from the Federal Emergency Management Agency.

Food assistance needs of disaster victims are being monitored by the Food and Nutrition Service and thus far all requests for commodity assistance have been met. All components of USDA donated foods have been used to support meal services of disaster relief agencies like the Red Cross in South Dakota, Illinois, and Missouri. And we have approved a request for emergency food stamp assistance from Illinois, and other States are expected to apply soon.

We are working with State officials to anticipate quick approval of requests. The things we have implemented thus far are effective discretionary actions that can be taken quickly. However, we believe that they will not provide a sufficient level of relief for producers who suffer the crop losses as a result of the flooding and adverse weather conditions and, consequently, the administration is proposing the supplemental appropriations on an emergency basis that you received a copy of just a short time ago.

I would be happy to go through the highlights of those. As you indicated under this proposal, there is a total of \$700 million immediately available. That includes the \$100 million remaining from the previous appropriations which were recently released by the President for use in meeting these 1993 crop losses. Then, there is a further request for an additional \$300 million in contingency funding which would be made available by the President if necessary.

Finally, if that full \$1 billion provided by these requests prove to be inadequate to make USDA disaster payments at the same level used to assist producers affected by Hurricane Andrew, the President would have authority to authorize use of funds of the Commodity Credit Corporation to make up the difference. The ability to use the Commodity Credit Corporation thus assures that we will be able to meet this commitment without further action by the Congress, the same capability we had following Hurricane Andrew.

This request also includes an additional \$20 million for the emergency conservation program of the ASCS, which would be available to help provide cost shares of up to 64 percent with landowners to help in restoring some of their conservation practices. And it also includes an additional \$25 million for the emergency watershed program of the Soil Conservation Service to work with local communities and officials in providing technical assistance and cost sharing for actions needed to open up and restore water courses and protect homes, businesses, schools, road crossings, agricultural land, and other structures.

We are, also today, making some additional farm program changes. We are in the process of amending the Farmer-Owned Reserve regulation so that we can reopen the Farmer-Owned Reserve. We are extending the maturity dates for loans that are coming due on 1992 wheat and feed grain crops. Those loans that are maturing in June, July, and August will have maturity dates extended until September 30, 1993.

And we are also directing ASCS to handle requests from counties for release of the conservation reserve program acreage for haying and grazing, again on a county-by-county basis. Those are additional changes to the farm program that we are implementing today.

Mr. Chairman, I have with me several people from the USDA. Mr. Steve Dewhurst and Scott Steele from the Office of Budget and Program Analysis; Sharron Longino from Farmers Home Administration; Kathleen Connelly and Bob Fenton from the Federal Crop Insurance Corporation; Randy Weber from ASCS; Keith Collins from the Economic Research Service; and Raymond Motha, who is our meteorologist. They will be happy to assist me in answering questions.

Thank you.

[The prepared statement of Mr. Rominger appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Let me repeat the question. We have had 1993 disasters from the Texas-Mexico border all the way to the Canadian border. Is it the intention of the administration that all of these disasters occurring prior to August 1 will be covered?

Mr. ROMINGER. Yes. Under the previous supplemental, we had the authority to cover any of those disasters that occurred before August 1, but we didn't have enough money. This request for additional funds will provide the money to carry that out and this will also cover disasters that take place from August 1 until the end of 1993.

The CHAIRMAN. Has this been cleared by OMB?

Mr. ROMINGER. Yes, it has.

The CHAIRMAN. What about the quality issue? Is this involved in any way in this potential disaster assistance?

Mr. ROMINGER. This proposal, if approved by Congress, would cover quality losses the same as they were covered by the previous supplemental, yes.

The CHAIRMAN. I yield at this time to the chairman of the Environment, Credit, and Rural Development Subcommittee, Mr. English.

Mr. ENGLISH. Thank you very much, Mr. Chairman. I'm trying to get a handle on this, Mr. Rominger, exactly where we are. It is my understanding in the States that are primarily affected by the flood, over 50 percent of the farmers in those States have crop insurance and there is a liability of somewhere in the neighborhood of \$5 billion under that program.

Is that your understanding?

Mr. ROMINGER. Yes, that approximately 50 percent of those farmers have crop insurance. Most of that crop insurance, however, those policies did not cover prevented planting.

Mr. ENGLISH. That was the next step I was going to take. Big problem comes in, you had to buy an additional rider if you wanted prevented planting coverage. So our difficulty is taking place in a very narrow window here in a couple months where you are transitioning before planting, but before you got the crop in the ground, right?

Mr. ROMINGER. That is correct.

Mr. ENGLISH. And so the prevented planting feature then, plus I assume you are talking about also providing assistance to farmers who did not have crop insurance; is that correct?

Mr. ROMINGER. That is correct.

Mr. ENGLISH. Will there be a double payment to people who had crop insurance?

Mr. ROMINGER. No.

Mr. ENGLISH. So those people who purchased crop insurance then will not receive any kind of additional assistance other than the fact they were facing prevented planting?

Mr. ROMINGER. They can receive more than the crop insurance, but they can't—well, they will not receive more than 100 percent of what the crop would—

Mr. ENGLISH. Right, so in effect they will receive a double payment?

Mr. ROMINGER. Both the crop insurance and additional disaster insurance if they had a loss exceeding that.

Mr. ENGLISH. So we have a double payment situation that exists; is that right?

Mr. ROMINGER. They are not being paid double, I don't believe, for the same thing. But if they have a loss that exceeds what is

covered by the crop insurance, they would be covered for that under the disaster payment.

Mr. ENGLISH. The second question is with regard to the prevented planting, you are talking about discussing the question of how we are going to deal with this. I don't recall any authorization.

Do you have a specific authorization for assistance for prevented planting? I am trying to figure out the mechanism and how we are going to deliver this. I think we are all agreed we are going to deliver it, it is just a question of how we do it.

Mr. ROMINGER. Well, it is my understanding that the loss, any farmer who had a loss that was—whether or not it was covered by crop insurance that comes in and files for—

Mr. ENGLISH. No, that isn't what I meant. I was referring to the law. Is there something in the law that would authorize the appropriation of funds for a prevented planting program? This would be a rather sizable prevented planting feature here. This is a lot of money we are talking about. I don't recall any authorization in the law that would provide for that as it exists now.

Mr. ROMINGER. I will ask Mr. Dewhurst to join me here to help answer these questions.

Mr. ENGLISH. All right.

Mr. DEWHURST. Congressman, the supplemental appropriations bill that the President signed recently extends coverage to 1993 crops and does not make a distinction between prevented planting losses and other losses. So that supplemental opens that program so far as we are concerned.

Mr. ENGLISH. So you are telling me what, in effect, you are doing is that you are reading into the law and making an interpretation that a disaster assistance provision also then authorizes prevented planting?

Mr. DEWHURST. The supplemental we think is fairly specific in that regard.

Mr. ENGLISH. I don't recall any kind of reference to prevented planting in the supplemental—of any supplemental appropriation I have seen come down. Are you talking about the one you are proposing or one that is already passed?

Mr. DEWHURST. No, sir, I am talking about the one the Congress just passed and the President just signed a week ago, Public Law 103-50, expanded disaster payment coverage in a number of ways, one of which was to cover losses on 1993 crops which occur prior to August 1, and for which claims are filed prior to August 1. And the supplemental does not make any distinction between the nature of the different losses.

Mr. ENGLISH. What you are telling me is there is no specific authorization for prevented planting, but you are simply making the interpretation there is prevented plantings; is that right?

Mr. DEWHURST. We proceed under the same terms and conditions as authorized in the 1990 farm bill, which is extended to 1993 crops by the supplemental and which I am advised covers prevented plantings. So that is sort of how it works.

Mr. ENGLISH. All right. I am not going to get into that. I just said, I think we are all in agreement what needs to be done and we all want to give assistance as quickly as we can. It is a question

of how we will—the mechanism which we will go through to do that. Specifically, what can farmers expect?

We have seen in the past 50 cents on the dollar or less. Are farmers going to receive full funding for the authorization contained? Is it dollar for dollar or is this going to be another 50 cents on the dollar or less?

I noticed you have open-ended funding; is that right, Mr. Secretary?

Mr. ROMINGER. The open-ended funding would only be if the President requests additional funding. But our intent was to compensate the victims of this disaster at the same level as those were compensated for in Hurricane Andrew, which worked out to be 50.04 percent.

Mr. ENGLISH. So it is 50 cents on the dollar rather than full dollar to dollar, and that would hold true on any other disasters you are speaking of?

Mr. ROMINGER. Yes, it does.

Mr. ENGLISH. So my disaster in Oklahoma is going to be covered the same as the floods in Mississippi; is that correct?

Mr. ROMINGER. That is correct.

Mr. ENGLISH. I mean in Iowa.

Mr. ROMINGER. That is correct.

Mr. ENGLISH. With regard to the question on crop insurance, there are provisions in reconciliation both in the House and Senate bill and we have talked about those two being combined, which I think fits the budget requirements we have. Has there been any discussion with regard to the use of the catastrophic features of those, of that legislation?

Mr. ROMINGER. Yes. The Secretary is interested in reforming crop insurance and is intending to hold a forum within the next couple of weeks at the Department to gather information and to—certainly to look very closely at the legislation that is before you. And we hope that we can come back with a program that would include a catastrophic coverage, as well as a program that is fiscally sound.

Mr. ENGLISH. I hope it is fast, because it has already passed the House and the Senate. We are just getting these ready for reconciliation. So any suggestions the Department has; it might be good to move promptly.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Roberts.

Mr. ROBERTS. Yes, thank you, Mr. Chairman.

We have a situation here with the President's proposal, I guess answers the question as to who is eligible. But it keeps referring to the Presidentially declared disasters. And my question as a follow-up to the chairman's is this: Will this provide assistance for any farmer, any State, that suffered a qualified individual loss in the crop year of 1993?

Mr. ROMINGER. It is my understanding that the previous supplemental would cover any crop loss anywhere that occurs before August 1. And the proposal, the President's proposal would indicate that any loss after August 1 for the rest of 1993 would be covered in areas where the President declares a disaster.

Mr. ROBERTS. I see. I am interested in the Secretary's comment and the gentleman from Oklahoma made a point of this. And the quote that is on CNN and all of the coverage that we hear is that farmers will be paid 50 cents on the dollar.

I would point out to my colleagues and to all within the sound of my voice that the coverage is 65 percent of your crop at 65 percent of the target price, which adds up to 42 percent, and then there is a 50.4 percent prorate. That is 21 to 24 percent of the loss. It is at best a quarter on every dollar, not 50 cents.

And we are even getting a little static from some in the business community, allegedly, saying, well, gee, I wish I was a farmer. If we had bad weather, I get bailed out on 50 cents on the dollar. It isn't. You have to qualify to begin with. It has to be a major hit, a major disaster, and it is 25 cents on the dollar. That is not a question, it is a statement.

Does the administration intend to come to this committee for authorizing legislation or will the Appropriations Committee be asked to do it all? That is a repeat question the chairman asked, I am not quite clear on it.

Mr. ROMINGER. The proposal, as the President has formed it, would follow on the same procedure that the previous supplemental followed, which to my understanding would require the action of the appropriations process.

Mr. ROBERTS. I would urge you to keep us in mind. The Appropriations Subcommittee on the Appropriations Committee yearns to explore pastures of agricultural program policy, and we try to fence them in on a very friendly basis with an open swinging gate.

The chairman has a bill with 30 cosponsors in regards to disaster legislation. It is a good bill with some minor exceptions. And so I would urge you to work with us if that was the case.

Last year, my wheat farmers received a 50 percent prorated disaster payment. We were told that additional payments would be made if money remained after all payments were made. We had \$500 million and then we got into the quality loss business down there at the Department and it looks like the money is gone.

What am I going to tell my wheat farmers who expected that additional payment now, when we have all this additional disaster?

Mr. ROMINGER. There is still about \$300 million left in the fund to cover 1990, 1991, and 1992 crop losses. And those funds are still available and this President's proposal would separate those losses for 1990, 1991, 1992.

Mr. ROBERTS. You don't have any appointments still held up in the Senate, so I could find me a Democratic Senator and get some of those funds? I am being facetious. In the area—I am not being facetious, I am mad about it, but we will let that go down the road.

I want to follow up on Mr. English's commentary in regards to crop insurance. Do we have any idea how much land is signed up for crop insurance in the floodplain States?

Mr. ROMINGER. In the States affected?

Mr. ROBERTS. In the floodplain States, yes.

Mr. ROMINGER. The highest participation in the crop insurance program is in that area and it is roughly 50 percent.

Mr. ROBERTS. I see Kansas leads with a 76.4 percent. We need to think about that in terms of this proration business in terms of the wheat farmers.

I don't have any other questions. I thank the Secretary for coming. We look forward to working with you. We have a disaster on our hands and we will work in a bipartisan way.

Thank you, sir.

Mr. ROMINGER. Thank you.

The CHAIRMAN. Mr. Secretary, has Secretary Espy made any Department declarations of disaster separate from the rhetoric of the general disaster? Or, are there plans to make Secretarial disaster declarations?

Mr. ROMINGER. Yes, Mr. Chairman, the Secretary has made some declarations of disaster. Let's see. The primary designations, total of 91, continuous designations in 199 counties. Total designations, 291.

The CHAIRMAN. Is that for what period of time?

Mr. ROMINGER. And that is in 1993.

The CHAIRMAN. The 1993 crop year? Crop year or the 1993 calendar year?

Mr. ROMINGER. I think this is for calendar 1993 through July 13.

The CHAIRMAN. Thank you.

Mr. Stenholm.

Mr. STENHOLM. Mr. Secretary, you pretty well have agreed on the formula, the 50 percent, the 21 percent, we understand acres times pounds in the normal disaster proceedings. But there still seems to be quite a bit of confusion about the quality loss adjustment.

And I am not clear, has there been any payments yet made regarding the quality loss in a disaster program? Have there ever been any payments made as yet?

Mr. ROMINGER. I believe not. I think for the quality loss that was covered under the last supplemental there has not been a sign-up, an additional sign-up for those growers yet, but we are extending the deadline to sign up for that program until September 17. So those for quality losses in 1990, 1991, and 1992, are still available.

Mr. STENHOLM. Would you discuss the criteria that we are going to be using in determining quality losses for all crops, since I believe you said this will take effect for all crops? What is the thought process we are going to go through as we determine what a quality loss is and how it should be compensated?

Mr. ROMINGER. I would ask Mr. Randy Weber to answer that question.

Mr. WEBER. Congressman Stenholm, on the 1992 crop of corn, we provided a quality adjustment for grade levels greater than three. In the case of corn, if you had a quantity that graded No. 4, we discounted that quantity by 15 percent. If you had a quantity that graded No. 5, we discounted the quantity by 50 percent. And if it graded sample grade, we discounted it by 85 percent.

And then we went back through and added up what the remaining quantity was to determine the disaster loss. The expectation would be that we would do the similar type thing for wheat and other feed grains.

Mr. STENHOLM. For all of the 1992 crop?

Mr. WEBER. That was for 1992, and since the appropriation would also call for quality adjustments for 1993, I would anticipate the same type of approach would be used for 1993.

Mr. STENHOLM. Are you anticipating that all crops in 1992 that had quality losses will be eligible for this sign-up and determination, not just corn, but wheat, feed grains, cotton?

Mr. WEBER. Yes.

Mr. STENHOLM. Vegetables, fruits?

Mr. WEBER. Nonprogram crops, by statute, provide for a quality adjustment. And we believe that those adjustments in 1990, 1991, and 1992 were taken. If they were not, this would go back and make the appropriate adjustments.

Mr. STENHOLM. How long is the sign-up period remaining in effect for 1992, program crop losses?

Mr. WEBER. That would go through September 17.

Mr. STENHOLM. Beg your pardon?

Mr. WEBER. September 17.

Mr. STENHOLM. September 17?

Mr. WEBER. Yes.

Mr. STENHOLM. Thank you very much.

The CHAIRMAN. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Secretary, down my way, we are having a double-barreled disaster, we are getting all the water from the north and my river counties are flooding. Yet 5 to 10 miles west of the river, we are experiencing a drought of serious proportions. And I want to ensure that all disasters will be treated equally and would appreciate your assurance of that effect of your intentions.

Mr. ROMINGER. All disasters are treated equally under the prior supplemental, up until August 1 of this year, and the President's proposal would add the dates subsequent to August 1 in all areas where Presidential disaster is declared.

Mr. ROBERTS. Would you yield on that?

Mr. EMERSON. I would be glad to yield to the gentleman from Kansas.

Mr. ROBERTS. Say we have a 10 county area, 5 county area, for that matter any county area, and we have an early freeze, are you telling me after the 1st of August, they are out unless the President has declared that a major disaster area?

Mr. ROMINGER. That is my understanding of the President's proposal, yes.

Mr. ROBERTS. So along with quality losses, which have a lot of problems on what is a normal crop, what is the crop history, what is the yield, what is the loss, which will eat up a lot of funds, and then if we have a disaster that normally would be declared a disaster with an early freeze, they are not eligible unless they were in that area?

Mr. ROMINGER. That is correct. It would have to be in an area that is declared a disaster.

Mr. ROBERTS. That is why you need to visit with the Agriculture Committee and not the Appropriations Committee.

I thank the gentleman for yielding.

Mr. EMERSON. Right now, of course, we are focusing on bracing for the crest that is yet to come in my region south of St. Louis,

so we don't know the full impact yet, although we can predict that this will be the worst flood of record in the region. And we know that we are not going to be able to fully assess the damages that are occurring until the water recedes.

But I have noted that in the President's request, there is \$45 million for programs that will be used—this is through the USDA—for landowners and communities for emergency cleanup activities. That need is going to be great. And I wonder if you have in mind what formula will be implemented to ensure the equitable distribution of those funds. Because I know the competition is going to be great, not only from communities and cities but individual landowners as well.

Mr. WEBER. Under the emergency conservation program, Congressman Emerson, we would take the sign-up for all producers and they would be eligible for cost share up to 64 percent of the cost of doing the appropriate work.

Mr. EMERSON. How would the rural communities participate?

Mr. WEBER. I am not sure on that one. That is a program that is handled through the Soil Conservation Service and I don't know for sure how that would work.

Mr. EMERSON. I have some towns that are really being wiped out and I know there are more than I have in other regions along the river. And I know that communities in addition to individual landowners will be interested in this provision, and I would encourage you respectfully to give some thought to how you are going to handle this now. It is in the President's proposal, but there is no indication there as to what the mechanism will be for equitable allocation.

Mr. WEBER. I would think there would also be some FEMA funds that would be available for towns for recovery and cleanup as well, in addition to the USDA funds.

Mr. EMERSON. Very well. Thank you.

Mr. ROMINGER. It is my understanding that those funds would be allocated to all who apply for assistance there, in an equitable amount up to the limit of the funds.

Mr. EMERSON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Volkmer.

Mr. VOLKMER. I would like to continue that a minute. On the emergency cleanup activity, is that a cost share?

Mr. ROMINGER. Yes, it is.

Mr. VOLKMER. What is the share?

Mr. ROMINGER. I believe it is 64 percent cost share.

Mr. VOLKMER. 64 percent Federal?

Mr. ROMINGER. Yes.

Mr. VOLKMER. I've got a little bit of a problem. My district's a little different than anyplace else and I don't know what we are going to do. We are trying to work some things out. But I have some elevators out there that are underwater, not all the way, but the bottoms are. Can't get that grain out, it is going to be ruined. That is 1992 crop in there. And some of that, a lot of it is farmer owned, stored in there.

Can you get that eligible anywhere?

Mr. WEBER. I would think that would probably fall under SBA, as far as any assistance that would come to the elevators.

Mr. VOLKMER. Not the elevator, that is a farmer.

Mr. WEBER. Farmer owned, that is something we are going to have to address. If he has—if it is under loan, it is certainly something—

Mr. VOLKMER. No, it is not under loan.

Mr. WEBER. It is not under loan, it is just farmer's grain?

Mr. VOLKMER. Not under loan, he is just storing it.

Mr. WEBER. That particular issue has not been addressed yet.

Mr. VOLKMER. Well, will you address it?

Mr. WEBER. We certainly will, yes.

Mr. VOLKMER. If we need to change the law, will you come up with a change so we can take care of those people? Because they have lost their 1993 crop, that is underwater. Their 1992 crop is in the elevator and it is gone. So we need to look at that.

We have another potential, right now we don't have any, but I want to look at another thing, and that is emergency feed. Because we have had to move some livestock and look at that. You haven't had any requests for any so far. They have been able to take care of themselves.

Mr. WEBER. That is a standing program, and as soon as a county qualifies, the plan will be implemented, yes.

Mr. VOLKMER. Right, put it in. All right. Then another matter that we have, I don't know exactly, the payments that the farmer is going to receive out there, he is not going to get that disaster payment until when? In the past, it has always been until the crop year—not the crop year, but the harvest time normally. Is that correct?

Mr. ROMINGER. Well, it depends on the nature of the loss. It will be paid as soon as he can determine the extent of the loss. And if it is a case of prevented planting where he is not going to have a crop this year or a crop that is already flooded out and he knows he is not going to have a crop—

Mr. VOLKMER. In other words, he will flood up, he can sign up for 1992 right now?

Mr. ROMINGER. Yes, he can sign up for 1992 for a disaster payment immediately. If he is going to harvest some crop, a reduced crop, then yes, we will have to wait until after harvest to see what the extent of the loss is.

Mr. VOLKMER. But if it is a total loss, he can go ahead and you all probably will sometime by August be able to get a payment to him?

Mr. ROMINGER. That is correct.

Mr. VOLKMER. And he can now make a decision, he can take his pencil and paper out and figure out—he has until the 31st of this month to figure if he wants to go to 0/92 and take that or he wants to take 22 cents on disaster, 24 cents?

Mr. ROMINGER. That is correct.

Mr. VOLKMER. Are you all publicizing that?

Mr. ROMINGER. Yes.

Mr. VOLKMER. If you don't, I will, because I think he may be better off doing the 0/92. And hope everybody out there listens, signs up for it. That will save us disaster payment, won't it?

Mr. ROMINGER. Yes, it will.

Mr. VOLKMER. Then we can use the disaster money for those other people that need it. Thank you very much, Mr. Chairman. I look forward to working with you. I wanted to know what happens to that grain because we got more than one elevator out there that is underwater. And so we need to do something about that.

Mr. ROMINGER. We will certainly take a look at that, see what we can do there.

Mr. VOLKMER. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman for his suggestion. I guess, Mr. Secretary, we are in the what-if stage of questions. But you just mentioned something that I think we should address. If a farmer has river bottom that is flooded, and he has high land that is not damaged, you mentioned, I think, that you would wait to see what the crop would be. May we get caught in a situation where you give someone a check and then he has a bountiful crop on the rest of his land?

Are you going to go get the check back? I know this is something that you might have to look at more in-depth, but as long as we are exploring all of the possibilities, I think we should take a look at that because I wouldn't want to be the USDA official that goes and asks for the check back.

Mr. WEBER. Mr. Chairman, the way we operate the program, if you have a producer that has a farm that has bottom land that has been flooded out and has high land that has been planted, we will not make any disaster payments on that farm until we have determined what the loss is.

Now, from an ASCS perspective, we do have different farm numbers. It may be that the bottom land is in one farm and the high land is in another farm. If they are two separate farms, we would consider loss eligibility on the bottom farm, they could be paid right away, but we would have to wait until the end of the season to tell whether the other farm would qualify for disaster losses.

The CHAIRMAN. I think that is probably a good way to go. But you also mentioned, or somebody mentioned, cattle. Now we have been talking about losses in wheat, sorghum, corn, et cetera. What if his cows floated down the river, is that addressed as a loss?

Mr. ROMINGER. We don't have a program that covers livestock as it covers crops, but I believe they would be eligible for assistance, for loan assistance, but not through the disaster crop program.

The CHAIRMAN. Under the existing legislation, the loan assistance?

Mr. ROMINGER. Sharron Longino from Farmers Home Administration will answer that question, Mr. Chairman.

The CHAIRMAN. Thank you. We welcome you also. You may proceed.

Ms. LONGINO. Thank you, Mr. Chairman. Farmers Home would be able to make the emergency loan available for physical loss and we would count that as a physical loss, because livestock is identified in our regulation under emergency loan as a physical loss. So we would be able to make loan assistance at the interest rate of 4.5 percent.

The CHAIRMAN. Thank you.

Mr. Gunderson.

Mr. GUNDERSON. I yield 30 seconds to Mr. Roberts and we will go from there.

Mr. ROBERTS. I thank the gentleman for yielding.

Mr. Chairman, I have a statement by Mr. Kingston of Georgia who had to leave. I would like to insert in the record.

Also a letter from the Georgia Department of Agriculture referring to the subject that you mentioned; i.e., the devastating heat wave and the drought and the result on the cattle industry.

[The prepared statement of Mr. Kingston and letter follow:]

Mr. Secretary, I sympathize with those agricultural producers, small businessmen, merchants, and homeowners who are faced with the wrath of Mother Nature in the current midwest flooding episode. I also support every reasonable measure to help these persons rebuild as rapidly as possible and return to their productive efforts.

I have two very brief questions, the first of which is: Is it your understanding that any funding for agricultural disaster losses would be managed and apportioned under the existing framework that was developed during disasters in 1986, 1988, and 1989 -- or are we being asked to redesign the mechanism for distribution and apportionment of available funding?

My second question, Mr. Secretary, may be more in the form of a request actually. In your opinion, wouldn't it be highly desirable to provide language in any disaster legislation which would anticipate and address other threatening conditions which may -- or may not -- soon become disasters? I am referring to the extreme heat and the beginning drought conditions which are affecting agricultural producers in many parts of the Southeast.

Mr. Chairman, I would ask unanimous consent that a copy of a letter from our Georgia Agriculture Commissioner dated July 8, 1993 be inserted in the record and copies made available to our Colleagues.

(Attachment follows:)



Georgia Department of Agriculture

Capitol Square • Atlanta, Georgia 30334-2001 USA • FAX 404 656-9380

Tommy Irvin
Commissioner

July 8, 1993

The Honorable Jack Kingston
1229 Longworth House Office Building
Washington, D.C. 20515-1001

Dear Jack:

As you know, much of Georgia continues to experience record high temperatures combined with extremely dry weather conditions. While scattered showers have provided much needed moisture for farmers in some areas, many other producers have received no rain in several weeks.

The continued drought conditions have devastated much of Georgia's dryland corn acreage and have hampered the development of our peanut and cotton crops. Soybean planting has been delayed in many cases, and farmers who have planted the crop are reporting poor stands. While many farmers irrigate their vegetable and watermelon crops, it has not been sufficient in many cases and the continuous need for moisture is lowering the water table in some areas. With hay and pasture conditions continuing to decline, many livestock producers have already started supplemental feeding. Although we have been fortunate to have only experienced minimal losses of commercial broilers due to the heat, the weather is affecting the weight gain of the birds.

We are well aware that the ongoing flooding in the Mississippi River region will most likely prompt legislation providing much needed assistance. As you consider initiating a disaster program, please make your relief funding broad enough to provide assistance to Georgia and other producers who have been totally devastated or severely impacted by the drought.

I appreciate your efforts to provide assistance to farmers in Georgia and throughout the nation who are experiencing losses as a result of these natural disasters, and I hope that you will let me know if I may provide further assistance or information in this matter.

Sincerely,

Tommy Irvin

TI/cfb

Mr. ROBERTS. I don't want to beat this August 1 date to death, but I have 20 counties out there where the wheat is flat, Randy, or it is underwater. Highly doubtful they could get to harvest by August 1.

How are we going to determine that these folks are eligible if you have an August 1 date? Or, to be more accurate, the appropriators put in an August 1 date, why, I am not too sure. But at any rate, if we have to live with that, how is somebody who doesn't have harvest after August 1, that obviously were affected by the same disaster, how are we going to apply, how are we going to qualify?

Mr. WEBER. If this was determined that the loss had occurred or was as a result of a disaster condition that occurred prior to August 1, I would presume that they would be eligible for loss if they qualified.

Mr. ROBERTS. Let me assume that your presumption is correct, and I thank you. And I thank the gentleman for yielding.

Mr. GUNDERSON. Thank you. First of all, let me suggest if you know anything about Chairman Natcher and the Appropriations Committee, he doesn't appropriate anything for a program that is not authorized, so you may want to reconsider not having this committee authorize a disaster assistance program if you are trying to get some help to the farmers.

Coming from Wisconsin, my concern is that we are having a real problem with releasing Conservation Reserve acreage. We have had a major winter kill of alfalfa. We now have 1.5 million acres with excessive moisture. We have a feed problem. Given the condition of the cover crops, if we don't get this release quite quickly, it will be worthless.

I don't know what you mean when you say that ASCS has been directed to expeditiously handle requests for release of CRP. Does that mean the State has the authority to grant them or does that mean they should take applications and you will decide later?

Mr. ROMINGER. I believe each county applies for these programs.

Mr. GUNDERSON. Yes, that is correct.

Mr. ROMINGER. So if the county applies, they would be expeditiously granted.

Mr. GUNDERSON. They will be granted. So the likelihood in the nine counties in Wisconsin that have already applied, they will get this release as of 3:15 p.m. eastern time today? If not, when?

Mr. ROMINGER. How long does it take?

Mr. WEBER. I can't guarantee by 3:15 p.m., but we will react to them as quickly as—hopefully tomorrow.

Mr. GUNDERSON. That is helpful. I appreciate that. I missed what you told Mr. Volkmer on feed assistance. Are you anticipating doing something in the area of emergency feed assistance? And if so, what?

Mr. WEBER. If they qualify, again, there is a criteria that as long as a county qualifies, that is a standing program.

Mr. GUNDERSON. All right. We are talking \$600 million in CCC additional appropriations; is that correct?

Mr. ROMINGER. Yes; \$600 million in addition to the \$100 million.

Mr. GUNDERSON. Yes. And you can go up to \$1 billion if you need that. But that is not going to cover Farmers Home, is it? That would have to be a separate appropriation?

Mr. DEWHURST. Yes, sir; that is correct. This money does not cover Farmers Home.

Mr. GUNDERSON. It does not. Have you any idea at this point in terms of those 4 percent operating loans what we are looking at in terms of this emergency or supplemental appropriation? I am assuming there is insufficient money in there presently. You know, we can't say to farmers, well, you qualify when the next quarterly release comes in, and we will think about getting you some money then. So we are going to have to have a dollar figure here on these emergency loans.

Ms. LONGINO. Currently, Farmers Home does have emergency disaster loan funds of \$203 million.

Mr. GUNDERSON. I understand that. However, first you want these people to go through the guarantees. Most of these people who are going to go through this are not going to be creditworthy and they are not likely to get a guarantee. We are talking about direct lending here. How much do we have in that area?

Ms. LONGINO. We can use the \$203 million for the direct loan.

Mr. GUNDERSON. So you can use it for either direct or guarantees. Is \$200 million going to be sufficient in terms of direct, guaranteed, and emergency loans—to say nothing of emergency livestock replacement.

It is not going to be enough.

Ms. LONGINO. It has been our experience that when they come for the loan, it is normally after they sign for the disaster payment, the insurance payments, and usually come to us for the difference. And if they do not have any of those payments, they will come to us. Based upon past experience and the past disasters that we funded, we feel that with the \$203 million, in addition to our regular guaranteed program, we would be able to meet those needs.

Mr. GUNDERSON. Let me be the first to tell you, I think that is going to be insufficient.

A final question before the red light goes on—when you talk about quality losses, will forage be eligible for quality losses?

Mr. WEBER. We had not considered that. We will have to take that into consideration, yes.

Mr. GUNDERSON. As of 3:30 p.m., you will take that into consideration?

Mr. WEBER. Or close to that.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Thank you.

The CHAIRMAN. Mr. Barlow.

Mr. BARLOW. Yes, sir. Thank you, Mr. Chairman.

As a new member on the committee, I want to compliment the leadership of the committee, your leadership and Mr. Roberts and how quickly you all moved on getting this legislation together and getting it up on the table.

I was down in my counties, there are five counties in far western Kentucky that are going to be affected by the floods from the Ohio and the Mississippi Rivers, about 30,000 acres of mostly corn and soybeans. I was down there watching very frustrating, very heart-breaking scenes of farmers who have worked all the prior week trying to put up temporary levees and watch them breach and see it

flow in, see the water flow in over thousands of acres there as it goes underwater and for a complete loss for this crop year.

And I want to say that the—as I watched the scenes around the country, there is a unity in the American people of all sides coming together. And I want to be behind that as we go forward into the cleanup. Let me just ask two quick questions before we, I believe, go into break.

Many of my farmers have spent money in trying to erect levees just in the days prior to the flood. Will their expenses for equipment rentals and so forth be covered under your authorities?

Mr. WEBER. I can't give you an answer right now on that. Probably FEMA would be involved on that.

Mr. BARLOW. Could you look into that, see how we would go about getting them a reimbursement? Because they went out and rented backhoes and D-2 Caterpillars and so forth to try and get the levees up. There are permanent levees, but these were temporary levees to protect bottom land that isn't ordinarily protected by the levees.

And the second thing is on seepage. We do have a permanent levee system along the bank of the Mississippi River there, but as that river gets higher, there is going to be seepage into the fields behind it, even if the levees hold.

Will you all be giving protection and assistance on the crop losses due to that seepage?

Mr. ROMINGER. Yes, I believe those would be covered, whether they were flooded just from an overtopping of the levee or from seepage.

Mr. BARLOW. Thank you very much for coming up here today. Thank you for your quick responses.

The CHAIRMAN. Thank you very much.

Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

A lot of my questions have been answered but I—

The CHAIRMAN. Well, go ahead and ask them anyway.

Mr. PETERSON. I have a couple here, I haven't got it all figured out. On this CRP issue that Congressman Gunderson was talking about, I have some counties that I am pretty sure aren't going to qualify as disaster counties that have some good part of them that the hay is—first crop is gone and the second crop is probably gone as well. And they are concerned about feed costs and where they are going to get the feed and so forth.

Do I understand this, that if you are not a disaster county, this CRP cannot be released, is that what this says? You have to be declared a disaster county?

Mr. WEBER. You do not have to be declared a disaster county. You just have to meet a qualifying loss. It would be a 40 percent loss.

Mr. PETERSON. How much?

Mr. WEBER. A 40 percent loss.

Mr. PETERSON. On that farm?

Mr. WEBER. No, in the county.

Mr. PETERSON. So if they get the 40 percent loss of the hay crop, then that would qualify for the CRP release?

Mr. WEBER. Right.

Mr. PETERSON. And you are going to do that, you think, tomorrow?

Mr. WEBER. Well, that is going to be up to the counties to make the—

Mr. PETERSON. Well, but I mean, if it was in, you would move on it tomorrow?

Mr. WEBER. Yes, if it is a qualifying loss, we would.

Mr. PETERSON. So we have to let them know to get that into you as soon as possible.

Mr. WEBER. Yes.

Mr. PETERSON. And on these two, you were talking about these two farms being on the bottom and the top, and if they were separate farms, you would make the payment and if they weren't, you wouldn't. How do you—if it is all by the same person, how could it be separate farms? How does that work?

Mr. WEBER. Well, if it is owned by the same person, it is not likely separate farms. ASCS constructs our farms based on ownership, and if it is under the same ownership and operated by the same person, it is going to be one farm. And if that were the case, then we would have to wait until harvest was over before we could determine the loss.

But in the case we got a lot of rented farms out there, they have them separated. And if they are separated, we would look at them on an individual farm basis.

Mr. PETERSON. Has there been any consideration given to waiving advanced deficiency payments, has that been talked about at all?

Mr. WEBER. We do not have authority to waive the advanced deficiency payment, no statutory authority at all.

Mr. PETERSON. Have you been—so you haven't thought about that or—

Mr. WEBER. Well, we have thought about it, other than the fact we don't have any statutory authority to do it.

Mr. ROMINGER. But if the farmer who has received an advanced deficiency payment applies for disaster assistance, then rather than having to pay back the advanced deficiency payment, a pro rata share of that would be subtracted from the disaster payment.

Mr. PETERSON. I understand that. When I met with my people last Thursday and Friday, they don't think they are going to have the money to pay them back and they are not sure that the disaster payments are going to be adequate. It is a big concern out there, I think maybe something that we have to address.

Mr. ROMINGER. Well, we can also restructure the repayment of that so that there wouldn't be a payment due immediately.

Mr. PETERSON. Yes. Just one further thing. In here, it says that loans can be written off at \$300,000 and payments deferred. Where is the money going to come from to do that? I think I tend to agree with Congressman Gunderson, that there is probably not enough money there in the first place.

Mr. RADINTZ. When we restructure or reschedule payments, basically it doesn't require any additional expenditure at that point in time. Under credit reform, we set aside enough money to cover the average over a period of time of loan restructuring and reschedul-

ing. Obviously, this will probably be a deviation from the average, but over the long run, it should even out.

Mr. PETERSON. So there is enough authority there to cover that?

Mr. RADINTZ. Yes, we don't need additional budget authority at this point to restructure loans or reschedule or defer payments.

Mr. PETERSON. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Pomeroy.

Mr. POMEROY. Thank you, panel, for the very timely information you are bringing to this committee. I join the others, Mr. Chairman, in commending you for holding this hearing in such a prompt manner. The question I have is a technical one relative to the manner of calculating loss for individuals that in particular on preventive yields—prevented planting.

We will be attempting to receive some recoveries. Will you be using individual production histories or county averages or what will those base, the production—

Mr. WEBER. We will use the program yield that is established for the farm.

Mr. POMEROY. For the farm?

Mr. WEBER. Yes. That is based on yields that were established 10 years ago, that is the yields by statute that we are working with.

Mr. POMEROY. Do you anticipate the preventive or prevented planting will be revisited as an essential basic coverage of Federal crop program?

Mr. ROMINGER. Yes, we certainly do. In reforming crop insurance, that would be part, we think, of the standard policy rather than a special rider as it is at the present time.

Mr. POMEROY. I was in touch with the USDA this morning, Mr. Rominger, regarding information which the State of North Dakota has relayed to you. We also are caught in the flood damage area, which is a vast part of the country. And I want—you did receive confirmation and you have been notified of six impacted counties from North Dakota?

Mr. ROMINGER. Yes, we have.

Mr. POMEROY. Thank you. I also received and was very appreciative of receiving assurances that this information will be considered on an expedited basis by the agency.

Mr. ROMINGER. Yes, it will.

Mr. POMEROY. Thank you very much.

No further questions, Mr. Chairman.

The CHAIRMAN. Thank you very much. Let me see who we—well, we will take Mr. Penny at this time for a few minutes.

Mr. PENNY. Mr. Chairman, I was on the House floor and cast my vote already, so I don't know if you want to wrap—if you want to recess for a period of time.

The CHAIRMAN. No, we wanted to avail ourselves of the Secretary being here, so would you kindly take the chair and ask questions until the next member comes?

Mr. PENNY. I am happy to do that.

The CHAIRMAN. I will vote and return as promptly as possible. Let me explain the usual procedure for our guests. In order to be fair, we recognize members at their time of arrival, so we no longer

do it solely by seniority. So whoever arrives first, whoever he is, is the first recognized. And that is how we work. And so, I will go vote. Mr. Penny.

Mr. PENNY [assuming chair]. The chairman has 5 minutes to get to the House floor. We wish him well. I apologize if this ground has already been plowed. I am curious to know how the expenditures under your assistance package might be offset in the ledger book by savings that you anticipate due to the fact that there are fewer crops coming out of the field, we will have smaller subsidy payments being made this fall.

Mr. ROMINGER. That question has not been answered or asked. And it is correct. If the prices of commodities are increased as a result of a shorter crop, those will offset and that will reduce the program payments. And for corn, a 10 cent increase in the price of corn will save \$500 million in the program. But that 10 cent increase has to be for the year, the average for the year.

Mr. PENNY. The year average.

Mr. ROMINGER. Right.

Mr. PENNY. We have already seen a jump. We expect that will probably keep the price higher all the way through the end of the year. Can you make any conservative assessment at this point as to what that average price might be?

Mr. ROMINGER. I will ask our chief economist.

Mr. PENNY. Again, I am asking for a conservative estimate just on the assumption that the most recent jump in that price will be maintained through the end of the year, when in fact I think a more generous assumption might be that this jump will—is only the first of several likely price increases between now and the end of the year.

But if we just projected the current rise in corn prices through the end of the year, what would that save us in terms of budget outlays?

Mr. WEBER. Congressman Penny, our estimate, our latest estimate on the supply use, we raise the average price of corn 15 cents. That would equate to approximately \$750 million savings in deficiency payments.

Mr. PENNY. Yes, that is a significant chunk of change. As I heard this package described to me earlier today, that essentially covers our initial assessment of disaster costs for farmers, doesn't it?

Mr. ROMINGER. That is correct. The initial request of the President was for \$700 million.

Mr. PENNY. Yes. Well, that is encouraging news. I have to admit that while we clearly have a disaster on our hands, and whenever a natural disaster of this sort occurs we must step in with some assistance, that I still maintain that fiscal principles should apply and that we ought to try to cover it in some way.

It may be more difficult for us to persuade the Congress to offset the other aspects of disaster aid through SBA and FEMA and the rest, but I think it really is important for us to stress the likelihood that lower farm payments throughout this year may in fact be enough to cover any disaster payments that go to these affected farmers.

And your head is nodding, but that doesn't get in the record.

Mr. ROMINGER. That is a very good point, yes, and we certainly agree with you and intend to publicize that.

Mr. VOLKMER. Will the gentleman yield?

Mr. PENNY. I would yield.

Mr. VOLKMER. Basically what you are saying is the rest of the marketplace will basically assist those that are getting the disaster payment.

Mr. PENNY. Well, in a sense, that is the case. Because of the higher prices being paid through the market, we will pay less in farm subsidies to those farmers that have a crop coming up.

Mr. VOLKMER. And those people, whether they are poultry, pork, beef, or anybody else that are purchasing—

Mr. PENNY. It also applies there as well.

Mr. VOLKMER. Will be paying a higher price and they are going to be assisting, in a sense, indirectly and involuntarily in helping those with disaster.

Mr. ROMINGER. That is correct.

Mr. VOLKMER. I mean, that is the way it works. Could I ask one more question along this line?

Mr. PENNY. You sure may.

Mr. VOLKMER. We covered corn. I know we don't have a lot of people in the past that have used the soybean loan program. If bean prices stay the way they are and probably maybe rise too, do you anticipate that you all will be using, Mr. Weber, much soybean loans? Or have you thought about that yet?

Mr. WEBER. For the 1993 crop?

Mr. VOLKMER. Yes.

Mr. WEBER. I would think with the prices the way they are going now and if they stay at the high levels they are now, I would not think there would be a lot of use of the loan program.

Mr. VOLKMER. So there would not be, outlays as if we had stayed around \$550.

Mr. WEBER. Certainly outlays would be less.

Mr. ROMINGER. That is correct and it could hold true for other feed grains, too. There could be savings there.

Mr. VOLKMER. Thank you, Mr. Chairman.

Mr. PENNY. I know you have announced planting flexibility, I am just curious if there is a more aggressive policy decision we could make in that regard, opening up even more acres to alternate crops.

It is pretty late in the season even for a lot of small grains, or other alternate crops but it may still be possible for somebody to take a cutting or two of hay off some acres, some other small grains may mature in time for the fall harvest.

Have you considered being more generous in the set-aside acres, program acres, 0/92 acres, et cetera, that you might allow farmers to crop as a way of getting some income so they don't have to rely quite so much on disaster subsidies?

Mr. ROMINGER. I believe under what we have done so far, all the conserving acres and set-aside acres, and now just today the Conservation Reserve acres in those qualified counties will be available for haying and grazing.

Mr. PENNY. For haying and grazing, but not for some type of cash crop?

Mr. ROMINGER. That is correct.

Mr. PENNY. I know it is tricky, but the suggestion was made that you could allow people to trade acres for 1 year so that the dry acres could be planted even though they might normally have been enrolled in a long-term set-aside or CRP.

Has that been given any further thought? It may be that the traditionally crop acres are the ones drowned out, but the conservation acres are high enough to be dry.

Mr. WEBER. That has not been given a thought at this point.

Mr. PENNY. Is it too radical? Is it too radical, too complicated in terms of enforcement?

Mr. WEBER. It is wrought with some problems.

Mr. PENNY. If a decision isn't made rather immediately, it doesn't really matter because we don't have much of a growing season left so they would have to be planting virtually within days, so if you can't make a decision within days, that would not help much as an option.

Mr. VOLKMER. If the gentleman would yield. Unless you are talking about areas presently in drought and not planted, but if you are talking about acreage in Iowa, Missouri, and Illinois and those places where it is underwater, it is going to be underwater for a while longer.

Mr. PENNY. I am not talking about acres that are flooded, but I am talking about adjacent acres may be high enough to be out of the flood area.

Mr. VOLKMER. OK.

Mr. PENNY. What projections have you run, or is it too soon to run projections on Farmers Home borrowers who might be in a foreclosure status as a result of this year's crop damage?

Mr. ROMINGER. I don't know whether we have figures yet. I would ask Sharron in a minute, but we have authority to restructure those loans for anyone who is in trouble as a result of the disaster.

Mr. PENNY. There was some folks up for—coming to the end of their current restructuring period, others who, due to unfavorable crop conditions last year, were falling behind and it seems to me that for some individuals even with the disaster subsidy the income is not going to be sufficient for them to make payments. I was wondering if you had any estimate as to what number of Farmers Home borrowers might be in a delinquent category this year and be in a condition where you maybe can't help but would have to foreclose.

Mr. ROMINGER. The Secretary did stay all foreclosures when he came into office, as you know. Those are being reviewed now.

Ms. LONGINO. Right. Congressman Penny, we don't have that number because it keeps changing. Our State Directors are keeping a tally on them as they come in and we are looking at the ones they are giving us on an individual basis. But the number we had yesterday is different today.

Mr. PENNY. It changes as the conditions worsen or continue?

Ms. LONGINO. Right. It is worsened. We have a compilation of all of them.

Mr. PENNY. It does occur to me, based on what I was hearing last winter from lenders in my part of the State, they were nervous

about whether they could, even with the Farmers Home guarantee, whether they could stand by certain borrowers for another season.

Now, because of this weather disaster we probably have a whole new category of borrowers who were able to get into the fields this year, but without a profit this year, won't be able to stay in business next year.

We are certainly all concerned about that and as you continue to make your assessment, we will as a committee want to certainly work with you to decide whether and how to respond to that situation.

I don't know who has had a chance since the chairman left without informing me who had their 5 minutes but, Mr. Volkmer, you have had time?

Mr. VOLKMER. Yes.

Mr. PENNY. So we can go to Mr. Minge at this point. David Minge—we used to have 10,000 lakes in Minnesota, now we have three and one of them is in his district.

Mr. MINGE. One of them is my district.

I would like to pursue several things. If some of these have been covered previously, please reference that and I will check with one of the other members and receive the benefit of your answers. But due to the votes and so on, I have missed some of the discussion.

First I would like to turn to Federal crop insurance. My initial question is a follow-up on what Representative English asked about: Is it correct that prevented planting coverage is now available through Federal crop insurance, without any change in the policy or any need to purchase a rider or anything else, but is automatically a part of the standard policy that a farmer purchased?

Ms. CONNELLY. A farmer may purchase prevented planting crop insurance for the seven ASCS program crops at this time, but only as an additional rider. It is normally a couple dollars an acre. It is not used very often.

Mr. MINGE. My question is with respect to this disaster. Is there prevented planting coverage in effect because of the bill signed a week or two ago?

Ms. CONNELLY. No.

Mr. MINGE. So the prevented planting payments that you were talking about when Mr. English was asking questions, are payments that come through the disaster program, not through crop insurance?

Ms. CONNELLY. That is correct.

Mr. MINGE. I think there may be confusion over that. My impression was that it would come through crop insurance.

Ms. CONNELLY. No, it would not at this time.

Mr. MINGE. Is there any consideration being given to providing prevented planting coverage retroactively, and providing or waiving the penalty for late planting at this point in time?

Ms. CONNELLY. Through crop insurance?

Mr. MINGE. Yes, through crop insurance.

Ms. CONNELLY. No there is not, that would require legislation.

Mr. MINGE. Would the Department support legislation of that type if the enrollment were opened up so it was made available on an even-handed basis?

Ms. CONNELLY. I think that is being studied.

Mr. ROMINGER. I think at the present time the Department would prefer to have a clean bill on the disaster assistance, and then come back and fix crop insurance so that we would have that covered for next year, rather than trying to do that in this process.

Mr. MINGE. Is there any consideration being given to simply waiving the late planting penalty, which I understand the Secretary has authority to waive under the existing legislation?

Ms. CONNELLY. There has been no further consideration given to that because we would be buying losses outright if we were to do that through the insurance corporation. It would have, we think at this time, to be addressed as a disaster payment.

Mr. MINGE. Have you costed out either one of these options? That is, including a prevented planting coverage within the policy without the need to purchase the waiver, or waiving the late planting penalty?

Ms. CONNELLY. I don't have the figures here. But that can be costed out.

Mr. MINGE. Has the costing been done?

Ms. CONNELLY. No, it has not.

Mr. MINGE. It has not been done?

With respect to the disaster program generally, I believe that Mr. Volkmer or one of the other members of the committee tried to walk through the limitations. I just want to be sure I have this correct. With the disaster program, what you are presently proposing is that a maximum of 65 percent of the lost crop can be covered at 65 percent of the price, and it would be 50.4 percent of that figure that would be covered.

Mr. WEBER. That is correct. The 65 percent would apply if the producer has also Federal crop insurance for that crop for 1993.

Mr. MINGE. And if the producer does not?

Mr. WEBER. If the producer does not, we start at the 60 percent level.

Mr. MINGE. So we are at 60 percent, and it would be slightly less than the 21 percent figure, in the high teens probably.

Mr. WEBER. That is correct.

Mr. MINGE. In that process, you are using the crop loss figures that are arrived at through what I understand to be the established yields as opposed to proven yields?

Mr. WEBER. That is correct.

Mr. MINGE. Is it your interpretation that it would take an amendment to switch to the proven yields?

Mr. WEBER. Yes, it would. I hesitate there because within the law the Secretary does have the discretionary authority to set program yields based on actual yields. However, that has not been utilized simply because of the costs associated with it.

Mr. MINGE. One problem that I have seen in visiting with farmers and working with them over the years is that the established yields are now running around two-thirds of actual normal yields on the farm. So the established yields on many farms then result in yet a further substantial discount, and we are going to be down around 15 percent coverage as opposed to even a 21 percent coverage of the cost, the cash lost in that farming operation.

Mr. WEBER. Certainly in some cases that is true. On a national basis, the program yield for corn is 104 and we are producing an-

nual yield at around 125. In the case of wheat, we have a program yield of 34 and a national average of around 39.

Mr. MINGE. I guess what troubles me is that it is a wooden measure, without regard to the productivity of a particular farm, that is really recorded in the proven yield records.

Mr. WEBER. That is correct.

Mr. MINGE. I think it is particularly troublesome, and I would like to urge the Department to revisit this issue. It is particularly troublesome when the President says that we are going to have a 50 percent—the Secretary of Agriculture says we are going to cover 50 percent of the lost problem crop, but when we get done with the numbers we are at a figure that may be closer to 15 or 16 percent of the actual loss.

The CHAIRMAN. The gentleman's time has expired. We will have a second round if the gentleman wishes to continue.

Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

First of all, I would ask unanimous consent that my opening statement be submitted for the record.

[The prepared statement of Mr. Nussle follows:]

STATEMENT OF THE
HONORABLE JIM NUSSLE

HOUSE AGRICULTURE COMMITTEE HEARING
JULY 14, 1993

Mr. Chairman, thank you for calling this hearing today. As you may recall, I urged you to do so at the Agriculture Committee's Caucus on July 2nd. I appreciate your responding so quickly. Given the severity of the flooding, it is important that the Agriculture Committee be able to coordinate efforts with Secretary Espy and other administration officials to expedite the process of providing much needed relief and guidance to farmers.

Mr. Rominger, I certainly appreciate the administrative action Secretary Espy has taken already to address some of the problems farmers are experiencing. I might add, however, that I believe additional administrative steps must be taken to help farmers. Any further steps the USDA can take unilaterally will give farmers some type of immediate relief while Congress works through the legislative process on providing assistance to producers.

Additionally, producers need guidance from USDA specialists so they can make management decisions this year. Considering that only 40 percent of Iowa's corn crop is cultivated, and many of the crops are in poor condition, producers will need help determining what to plant in terms of non-program crops.

Just as importantly, I urge the USDA to continue to be flexible with producers after the curtain closes and Congress completes its discussion of the disaster issues. For example, producers are grateful for the waiver of the minimum size and

width requirements on ACR and CU acres, but they are concerned about meeting the 1995 mandated deadline for developing a conservation plan.

Of course, one component of disaster aid, will include financial assistance to farmers, but that alone will not provide relief for farmers. Farmers are just as interested in some of the other administrative solutions that can be used by the USDA.

In closing, I invite Mr. Rominger to also comment during his statement on what Congress can do to make it easier for the USDA to respond in the future to these weather-related problems. Given that the USDA has the expertise in administering federal farm programs, you are no doubt aware of the problems that exist within these programs.

Thank you again Mr. Chairman for calling this hearing.

Mr. NUSSLE. I wanted to let you know, Mr. Chairman, that the President is in Iowa today, and I was invited to attend that meeting with him and fly back to be in Iowa with him, and I decided to stay here because of the fact that I requested this hearing. I appreciate your diligence in calling this hearing, you are well aware of what is happening throughout the country and your leadership in calling this hearing as promptly as you have is something that we are very grateful for in Iowa.

Just some news, updated information, just so people are aware of some of the tragedies that are happening. I just received word that there are two packing plants in Iowa, one that has a kill per day ability of about 5,000 and another one of 8,000 per day for cattle are closed. So when you talk about Consumer Price Index and things like that, we may not have the full story yet to make the determination.

The other thing is just a little fact to identify, if you will, that we have had rain 37 out of 40 days and that tells a lot of the story. There isn't a creek or stream or river in Iowa that isn't at its bank or over.

That combined with the ability of farmers to get into the field I think tells a lot of the story.

Today's hearing was to talk a little about the options so I would like to talk a little bit about the option of crop insurance. My understanding was that Secretary Espy on Sunday was instructed by President Clinton to find a crop insurance base solution to this disaster and other periodic disaster situations that face our farmers.

I am wondering whether or not that is being considered. It doesn't appear to have been considered in this particular supplemental bill that has been presented to us. I am wondering why and what the story is on the future ability to deal with these situations through crop insurance.

Mr. ROMINGER. The decision by the Secretary was that he would prefer to take care of this current disaster in a timely manner feeling that that was the most important, and to do it through a clean bill of disaster assistance and that he would come back very shortly to the Congress, working with you to develop a crop insurance program, or reform of the crop insurance program.

Mr. NUSSLE. So there will be no opportunity to make any changes for this particular year to use crop insurance to help in this situation. No more changes will be forthcoming for this year.

Mr. ROMINGER. To cover this years disaster?

Mr. NUSSLE. Right.

Mr. ROMINGER. I think that is correct. It is possible it could be ready in time for the fall seeding of crops for the next crop year.

Mr. NUSSLE. The reason I ask is that it is my understanding in 1990 and 1991 this option was utilized for citrus growers and to dismiss this option out of hand, I think is a mistake particularly when the Secretary, from what I understand, was instructed by the President to at least consider that option if not come up with a proposal in that regard.

I find it a little bit troubling that we don't have anything to chew on as far as an alternative to the President's proposal that we have received today. There is nothing that is going to come down the pike that you are aware of?

Mr. ROMINGER. I wasn't there when the President and the Secretary discussed what the options were.

Mr. NUSSLE. I assume the Secretary does discuss things with you.

Mr. ROMINGER. In talking to the Secretary, his instructions were that we would go for the disaster assistance in this form and come back and do crop insurance as a separate issue.

Mr. VOLKMER. Will the gentleman yield?

Mr. NUSSLE. I would be happy to yield.

Mr. VOLKMER. Is the gentleman intimating that perhaps an option would be to open up sign-up for crop insurance for those crops that have been planted, but are in the water?

Mr. NUSSLE. I have no idea what the President was suggesting to the Secretary, I wasn't at the meeting either, but all I know is from the news reports that is what was requested.

Mr. VOLKMER. That is basically what happened in California though.

Mr. NUSSLE. That is my understanding.

Mr. VOLKMER. After the freeze they opened it up and let them sign up.

Mr. NUSSLE. That is my understanding.

Mr. ROMINGER. It was my understanding of the conversation that the President asked him to develop a crop insurance for future losses but not for this catastrophe.

Mr. NUSSLE. I have to say, too, that I also join with my colleague from Minnesota in my concern about the way this will be presented and funded.

I sent a letter to Chairman Durbin, indicating that I think the responsible thing to do in the budget mess we find ourselves in is to find off-sets. I understand that in a colloquy—question and answer—that you had with Mr. Penny that you indicated that there may be some money that is saved from CCC, and I am wondering if that could be used as offsets in this regard so that we can save the taxpayers money, and in this case obviously farmers are taxpayers, too.

Mr. ROMINGER. Certainly any savings that accrue through the deficiency payments, and those will occur if the price of commodities stays up, those certainly do redound to the Treasury, so they are an offset to any funds that are spent through the disaster program.

Mr. NUSSLE. Are there other offsets being contemplated or that you could think of that would assist us in financing this so that it is not another one of those hid under the rug, off budget-type of emergency supplemental bills that seem to come up year after year with no end in sight, and with no responsibility for future planning for disasters?

Mr. VOLKMER. Will the gentleman yield?

Mr. NUSSLE. Any off-sets you can think of?

Mr. VOLKMER. I ask the gentleman to have an additional minute.

The CHAIRMAN. Without objection.

Mr. VOLKMER. When the gentleman from Minnesota was here, it was brought out that at the present time, at the present estimated price of corn because of what has occurred, that we will probably have a savings of \$750 million just in the corn feed grain deficiency

payment. That that will offset completely the \$700 million being requested at this time for this bill. We don't need any additional at this time.

Is that correct?

Mr. ROMINGER. That is correct.

Mr. NUSSLE. I am out of time.

The CHAIRMAN. If the gentleman wishes to conclude.

Mr. NUSSLE. I have many other questions, but I won't get them in the 10 seconds I have left.

The CHAIRMAN. We will have a second round. I might mention in regards to crop insurance, that is one of the questions the gentleman asked. There is a parallel course that this committee has the jurisdiction on, and we are working on crop insurance. We will continue to work on crop insurance.

We may have a possibility to make crop insurance changes under the reconciliation bill. Should we not, then we may wish to revamp crop insurance legislatively and not have to deal with it in the very narrow sphere of an appropriations bill.

So whatever the President communicated to the Secretary, with the task force the Secretary is going to establish, as Secretary Rominger mentioned, that is their end of it.

On our end, we will continue to work. Hopefully, we will be able to work together with the administration to arrive at some equitable solution. But as far as a retroactive change or any other area would have to be done by this committee.

Mr. ROMINGER. Mr. Chairman, we would—

Mr. NUSSLE. Would you yield?

The CHAIRMAN. Yes.

Mr. NUSSLE. Do you anticipate we will have that opportunity? It sounds like the President is indicating that we go do an end run and go to the Appropriations Committees and the Appropriations Committee has that in their sights and we will be foreclosed from considering that.

The CHAIRMAN. Not crop insurance. What they are recommending is using the existing authorization, the 1990 authorization for the appropriations and hopefully it will stay. We will continue working on our side, but their requests for assistance will continue through the next election, so I wouldn't want anyone to be too concerned about addressing the issue.

Mrs. Clayton.

Mrs. CLAYTON. Thank you, Mr. Chairman.

I think some of these questions have been asked before I joined the hearing, but I need to do it for my farmers in the State of North Carolina.

Much of the corn in the Midwest is obviously devastated by the flooding but in my area and many Southern States some of the corn is devastated by the lack of rain, the drought.

Am I to understand that that would be covered in this disaster plan?

Mr. ROMINGER. Yes, that is correct. This request by the President would provide funding for that kind of a disaster as well.

Mr. VOLKMER. Would the gentlelady yield just a moment on that?

Mrs. CLAYTON. Yes.

Mr. VOLKMER. If it occurred before August 1, that is by drought. You remember that in 1988 they didn't do it until around September or something like that.

Mr. ROMINGER. If the loss takes place before August 1, it is covered by the previous supplemental authorization.

Mr. VOLKMER. Right.

Mr. ROMINGER. If it takes place after August 1, it will be covered in any area that is declared a disaster by the President.

Mr. VOLKMER. But there won't be unless it is declared a disaster by the President. I think that needs to be clarified for her.

Mr. ROMINGER. There may be areas in your State, however, that are experiencing a loss now prior to August 1 that would be covered.

Mrs. CLAYTON. There is. Yes. Right now there are fields of corn where people will not get a yield from the crop. So that is probably the type.

They were in the procedure of trying to assess the damage, and they were talking to their county ASCS office. Is there to be a declaration or are farmers by this procedure able to make that claim themselves? How does that work?

Mr. WEBER. There does not need to be a declaration, per se, a farmer that qualifies would be eligible for consideration for the disaster relief.

Mrs. CLAYTON. He makes the application—

Mr. WEBER. Makes his application to the ASCS office.

Mrs. CLAYTON. The other questions have been raised, but I just want to be sure I understand, this current bill for disaster, you do not feel you need an additional appropriation?

Is that what I am hearing, Mr. Chairman?

Mr. ROMINGER. The current request by the President you received today does ask for additional funding.

Mrs. CLAYTON. It does ask?

Mr. ROMINGER. Yes, for \$600 million.

Mrs. CLAYTON. Can you repeat your remarks concerning corn and how it fits into the plan?

Mr. ROMINGER. This request asks for \$600 million in addition to the \$100 million approved—released by the President about a week ago from continuing authorities. So that \$700 million would be available immediately.

What we were talking about on the corn is that if the price of corn stays up as a result of a shorter crop, the savings through the deficiency payment part of the program will offset that \$700 million disaster payments.

Mrs. CLAYTON. Is there any procedural discussion as to where these funds will come from? When we asked for disaster funds, do we take from another program to give to this?

Mr. DEWHURST. This is a governmentwide supplemental request by the President, asked for on an emergency basis.

Mrs. CLAYTON. So it is not subject to those rules.

Mr. DEWHURST. Yes, ma'am. That is correct.

Mrs. CLAYTON. Thank you, Mr. Chairman. Those are my questions.

The CHAIRMAN. Thank you.

I hope you articulated the concerns of my friend, Big Jim Gramm.

Mrs. CLAYTON. In fact I am from North Carolina. Big Jim sent us all with a mandate that his farmers were to be included in this disaster program, otherwise I was not to vote for it. So that is the message.

The CHAIRMAN. He began his tenure as I recall, as agriculture commissioner for North Carolina when Lincoln was President.

Mr. Lewis.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Rominger, I would like to follow up on Mr. Roberts question awhile back about his wheat farmers who only receive 50 cents and were promised additional payments of any remaining assistance.

We are in the same situation in Florida, south Florida, when our people were wiped out by Hurricane Andrew and though we are concerned about the quality of losses faced by corn, potatoes, and cotton producers, release of excess funds at the expense of our producers who received only 50 cents on the dollar we feel is a dangerous policy precedent.

Our biggest problem was trying to get nontraditional agricultural crops such as avocado nurseries eligible for disaster assistance programs that were written mainly for major farm crops.

We are falling over some of those hurdles with the recent supplemental. It has been understood that additional payments would be made to producers, eligible producers, after the initial disbursement of the prorated supplemental—prorated benefits.

Now, we, being 26 Members of the House and Senate from Florida, Louisiana, and Hawaii, sent to the Secretary's office a request that the USDA make full payment to producers before any further release of disaster assistance for losses. We would like to know what is the status of that request and, a fax was sent to Mr. Weber's office so we know it was down there.

We would also like to know what happened to that \$287 million of unused disaster assistance.

That is a long way to the question, but I had to give the background.

Mr. ROMINGER. It is my understanding that Congress expanded the eligibility for disaster assistance and that—so that did include the quality losses and that fund is still there, that \$287 million but it will be used up according to our estimates to cover the additional losses that are incurred as a result of expanding the eligibility.

Mr. LEWIS. Are you telling me that the producers in Florida who suffered all these losses and only received 50 cents on the dollar are going to receive additional benefits from the unused benefits available?

Mr. ROMINGER. I don't believe so. I believe our indications are now that there are enough claims so that there will not be payments above the 50.04 share that was paid previously.

Mr. VOLKMER. Will the gentleman yield?

Mr. LEWIS. Certainly.

Mr. VOLKMER. I think the gentleman from Kansas articulated this properly, you keep saying 50 cents on the dollar. If your farmers got 50 cents, I will want 50 cents on the dollar, not 22 cents. Did his farmers get 22 percent?

Mr. DEWHURST. It is the same 50 cents, the same calculation that we have been talking about.

Mr. VOLKMER. That's what I thought. Just wanted to be sure.

Mr. ROBERTS. That was in the past administration.

Mr. VOLKMER. He didn't get 50 cents after all.

Mr. ROBERTS. It was in the last administration, we thought we would have more, but it didn't work out that way.

Mr. VOLKMER. I know.

Mr. LEWIS. That depends on the percentage, doesn't it, of what you have lost or if you lost 60 percent, you got a 40 percent crop, and you get 50 cents on the dollar at the 60 percent level, is that correct?

Mr. LEWIS. Yes.

Mr. VOLKMER. In other words, about 22 cents on the actual loss?

Mr. LEWIS. That's right. So you don't get all you think you got.

Mr. VOLKMER. Right.

Mr. LEWIS. Can you give me any idea where we have funds available currently, you say they are not going to be used, what is going to be available and how are people going to be compensated for quality crops during the 1994-1995 years? What is your plan in that respect?

Mr. ROMINGER. As I indicated, that fund is still available for 1990, 1991, and 1992, and was expanded to cover quality losses. There will be a sign-up period extending until September 17 for those growers to come in and apply for that payment.

We expect that those requests will use up—there will be enough to use up all of the \$287 million or \$297 million that is left. We do expect to hold a portion of that fund to cover the potential losses for 1994 and 1995 tree crops that were suffering as a result of the 1990, 1991, or 1992 disasters.

Mr. LEWIS. Could you tell me when you would respond to this letter? I know you responded verbally, but I would like a written response to the June 10 letter. Could you tell me when my office could receive a response to that? My 26 colleagues signed it from both the House and Senate.

I think we want to take a look at this and get a little more demonstrative about it.

The CHAIRMAN. The gentleman's time has expired. But we will allow time for a reply to the question.

Mr. ROMINGER. Can you answer that?

Mr. WEBER. There has been a response prepared to your letter and it is going through the system right now.

Mr. LEWIS. I didn't hear you, Mr. Weber.

Mr. WEBER. There has been a response prepared to your letter and it is going through the system right now.

Mr. LEWIS. Thank you.

The CHAIRMAN. I am sorry, I got distracted. Have you concluded?

Mr. LEWIS. Yes, I did, Mr. Chairman, thank you.

The CHAIRMAN. Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman.

I apologize, too, for having to be out during part of the hearings and if you have covered it, please accept my apology.

The President's proposal allows for disaster payments prorated at a factor of 50.04 percent. What actually constitutes an eligible claim, is my first question.

The second one, in the legislation that was introduced by the chairman which I cosponsored, we extend the 1990 provisions, crop losses are 35 percent, 40 percent if the farmer didn't have crop insurance, constituting an eligible claim.

Is that the same basis for eligibility under the President's proposal?

Mr. ROMINGER. Yes, it is.

Mr. BISHOP. And what is the level—what level of crop loss does the President's proposal consider to be a disaster?

Mr. DEWHURST. 35 percent.

Mr. ROMINGER. The same 35 or 40 percent to qualify.

Mr. BISHOP. Thank you, Mr. Chairman.

That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Smith of Michigan.

Mr. SMITH of Michigan. Thank you, Mr. Chairman. This is my inauguration for questions and comments as a member of this committee.

We have been hearing newscasters report the prediction that food prices will go up because of the flooding, rain disaster. If you look back on our experience in the 1988 drought, however, we saw food prices increase with the increase in slaughter numbers which resulted at least in a temporary reduction in food prices.

Is the information of increased food prices generated, coming from the Department of Agriculture and briefly, what is your prediction?

Mr. ROMINGER. No, it is not. We are suggesting that it would be a very minor increase in food prices as a result of the extent of the disaster that we are looking at.

Mr. SMITH of Michigan. I understand that the Secretary has reopened sign-up in that area for the 0/92 program where a farmer can sign up and be eligible for the target price payments. Is that correct?

Mr. ROMINGER. That is correct.

Mr. SMITH of Michigan. Is this—have you penciled this out—is this going to be to the farmers' advantage with your prediction of lower target price payments because of the increased crop prices?

Is this farmer going to be better off to wait and take the disaster program payments or sign up for the 0/92?

Mr. WEBER. That is a choice of the farmer. The farmer, if he goes in 0/92—

Mr. SMITH of Michigan. I realize it is a choice of the farmer, my question is—have you penciled this out—is the farmer going to be better off by signing up at this late date for 0/92 or taking the program payments?

Mr. WEBER. If he signs up for 0/92 and has a qualifying loss for disaster, he can be eligible for both.

Mr. SMITH of Michigan. Help me understand that. If he has—if a farmer has already signed up for 0/92 and did not plant any crops, is he also going to be eligible for disaster payments for the crop loss he didn't plant?

Mr. WEBER. If he was prevented from planting, he could be eligible for disaster loss. However, there is a requirement in the statute that says that you cannot earn a disaster and deficiency payment on the same bushel.

Mr. SMITH of Michigan. So that is not correct. He can't be eligible for both. So back to the original question, penciling it out, should ASCS county offices be advising their farmers to go ahead and sign up, or is there going to be some time where they can have some helpful advice from somebody on whether that is the decision they should be making on this reopened sign-up for the 0/92?

Get back to me.

Mr. WEBER. We will get back to you on that.

[The information follows:]

EXAMPLES OF DISASTER ASSISTANCE FOR A 100-ACRE CORN BASE

Eligible producers who have suffered crop losses due to floods or other natural disasters have three types of payments: crop insurance indemnities, deficiency payments and legislated disaster assistance. The total payments a producer receives depends on whether the producer has crop insurance, whether the producer participates in the commodity program, and the extent of crop loss. The following examples illustrate the percent of normal production value covered by assistance.

Example #1--Participant with no crop insurance and prevented planted total loss:

- Farm situation: --The producer participates in the corn program but has no crop insurance.
 --The producer has 100 base acres of corn with a 10-percent ARP; Participant prevented from planting 90 acres; ASCS yield = 125 bu./ac. and expected yield = 145 bu./ac.
 --Expected price before and after the flood is \$2.10/bu. with a \$0.72/bu. deficiency payment rate.
 --Expected gross return before the flood: market return plus deficiency payments - \$34,155.
- Flood outcome: --Disaster assistance alone = \$8,047 or 24 percent of expected gross return.
 --0/92 payments alone = \$6,148 or 18 percent of expected gross return.
 --Producer may enroll in both the disaster assistance program and 0/92, but cannot get deficiency and disaster payments on the same acre. Disaster assistance plus 0/92 payments on acres not covered by disaster assistance = \$12,770 or 37 percent of expected gross return.

Example #2--Participant with no crop insurance, acreage planted with total yield loss:

- Farm situation: --Same as in Example #1.
- Flood outcome: --Disaster assistance same as in Example #1. Deficiency payments are made at the actual rate and on total payment acres. Deficiency payments alone = \$6,831 or 20 percent of expected gross return.
 --Disaster assistance plus deficiency payments = \$13,040 or 38 percent of expected gross return.

Example #3--Participant with prevented planted crop insurance and prevented planted total loss:

- Farm situation: --Same as in Example #1 except producer has prevented planted insurance, although we know that almost no producers have such coverage.
- Flood outcome: --Disaster assistance alone = \$8,550 or 25 percent of expected gross returns. Crop insurance indemnity alone (net of premium) = \$5,473 or 16 percent of expected gross return. 0/92 payments alone = \$5,465 or 16 percent of expected gross return. Disaster payment, insurance indemnity plus 0/92 payment total \$18,544 or 54 percent of expected gross return.

Example #4--Participant with crop insurance, acreage planted with total yield loss:

- Farm situation: --Same as in Example #1 except producer has crop loss insurance.
- Flood outcome: --Disaster assistance alone = \$8,550 or 25 percent of expected gross returns. Crop insurance indemnity alone (net of premium) = \$15,494 or 46 percent of expected gross returns. Deficiency payments alone = \$6,831 or 20 percent of expected gross return. Disaster payment, insurance indemnity plus deficiency payment total \$28,835 or 85 percent of expected gross return.

Mr. SMITH of Michigan. On a question of sort of putting out brush fires on disasters and whether it is—maybe it is whether or how we decide the best way to go on crop insurance or on disaster payments. Is the Department working on some consistent policy so that we don't have to jump and react politically to what is an eligible disaster and whether it is crop insurance or disaster, is there some consideration that if you have this natural disaster in whatever 3 years out of 5, that you would be excluded from disaster payments or crop insurance payments?

The first part of that long question was, is the Department working on some consistent policy so we have it in place?

Mr. ROMINGER. Yes, the Department has certainly looked at that as we go toward reforming crop insurance. We hope we can come back and work with Congress to develop a crop insurance program that will make it unnecessary to go to these individual disaster program practices.

Mr. SMITH of Michigan. How about counties with disasters, either wet disasters or dry disasters and if that county is consistently claiming disasters in 3 years out of 5—is it reasonable to look at some kind of provisions where it says no, in this area, in this drought area or in this flood plain area, we are not going to give the same disaster payments as we do under normal parts of the United States where we do normal cropping and harvesting?

Mr. ROMINGER. I don't think we have considered approaching it that way, rather we would approach it by a differential premium cost for counties that had higher loss ratios.

Mr. SMITH of Michigan. As a Michigan farmer, I have been sometimes confused about the fairness of the policy where a small group of farmers might be totally wiped out by a natural disaster of hail, drought, or flood, and yet they are never eligible for any disaster programs.

So traditionally the policy has been unless it is almost county-wide that those farmers within a county are not eligible. Am I correct in that assumption and is it reasonable to explore a more localized—to treat those individual farmers in a smaller area the same fair way as we treat larger farmers in the larger areas of the country?

Mr. DEWHURST. There are some differences between our programs. With respect to Farmers Home Administration, to qualify for low interest emergency loans, there has to be a countywide disaster. But with respect to ASCS disaster payments, that is an individual loss qualification kind of system. So it just works differently.

There is certainly an interesting case to be made that these things ought to be made more uniform so that the programs work essentially the same way in all circumstances.

We don't have that right now.

Mr. SMITH of Michigan. Mr. Chairman, thank you for the time. I will be meeting hopefully, and talk to you on my array of questions.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Minge and Mr. Nussle, you said you might have a couple of follow-up questions.

We will start with Mr. Minge at this time.

Mr. MINGE. Yes, I do. I would like to go back again to this question about the actual level of assistance or benefit to farmers who have lost a crop. Is there any opportunity to use proven yields as opposed to established yields in connection with this program? If a farmer wished to go through that and if he has records at the ASCS office could he do that?

Mr. WEBER. Currently, no.

Mr. MINGE. Would it take an act of Congress to change that or could it be done within the administration?

Mr. WEBER. It could be done within the administration as far as using proven yields, but it would have to pass OMB and others, and that would become a very costly venture.

Mr. MINGE. With respect to the benefit level, as I understand it, it is 50 percent, and we are talking about two-thirds of the price. What price is the loan rate? Is it the target price? Is it a market price at some determined point in time?

Mr. WEBER. It depends on the crop. If it is a program crop, those that have target prices, it is 65 percent of the target.

Mr. MINGE. Of the target price?

Mr. WEBER. Yes. If you have producers that did not sign into the program for 1993, then it is 65 percent of the loan rate. There is only a few farmers that fit that category because generally most of the base is in the program.

Mr. MINGE. If the market price keeps on coming up, the deficiency payments will go down as previously was noted. I expect that some farmers who have a marginal crop and realize the fairly limited level of benefits here are going to feel that what they hoped would be a good deficiency payment is becoming a very modest deficiency payment. Because, in fact, the market prices are rising. Their yields are low, but not quite enough to make it worth going into the program, and they are going to be suffering a fairly dramatic loss even in the disaster program. Their deficiency payments will be very modest, and in some cases they may be repaid in advance of the disaster payment. Could you comment on that scenario?

Mr. WEBER. We have paid in advance payments, 32 cents. If market prices should go up to a level that they would—where it would result in a deficiency payment less than 32 cents, certainly you could have producers in a position that they would owe money back, yes.

Mr. SMITH of Michigan. Will the gentleman yield just a second?

Mr. MINGE. Yes.

Mr. SMITH of Michigan. The problem also is those farmers contracted when the price was lower so their experience is going to be negative, lower in the final result.

Mr. MINGE. Yes, right. I have another line of questioning. It has to do with farmers who had low quality. I believe that the Michigan congressional delegation and others met with the Secretary of Agriculture, and it was decided that any penalties or discounts for low quality corn would be waived, and that those farmers would be able to participate in the program in 1992 without dockage or without discount. But as a condition of participating and receiving certain levels of payments, they had to take out Federal crop insurance.

Mr. WEBER. That is true and that same thing would be true under the President's proposal for 1993 losses.

Mr. MINGE. Now, one thing that apparently happened is that they were told they would have to take out Federal crop insurance, but they were not told whether or not they would receive any additional payment under the 1992 program.

The sign-up deadline for Federal crop insurance came in early May, and the farmers did not know what their situation was until June. So some farmers found that they were faced with a rather difficult choice of a very substantial Federal crop insurance premium for benefits that they thought were illusory—and in hindsight have turned out to be very illusory with respect to the 1993 crop—but it turned out that, in the process, they have given up rather substantial payments with respect to their 1992 corn because of its poor condition.

I am wondering if there is any opportunity to revisit this situation where farmers were placed at risk of making a choice without having all the facts in front of them. As I understand, part of the reason they had trouble getting the facts was that the ASCS offices did not have the staff to run all the calculations as quickly as they wished to.

Mr. WEBER. If we have problems here, we will certainly look into it. We are aware that there are situations where producers had filed applications for 1992 quality losses and did not get the required Federal crop insurance. Those issues are being looked at right now.

Mr. MINGE. I think there are several hundred of them in parts of South Dakota, Minnesota, and North Dakota that I am aware of, and there may be some in other parts of the country.

Mr. WEBER. That is my understanding, yes.

Mr. MINGE. Is my time up?

The CHAIRMAN. Just about.

Mr. MINGE. I will move quickly then.

The CHAIRMAN. One more question left.

Mr. MINGE. Is there an opportunity to extend the loan period for the program crops more than the 3 months that have been talked about? Could it be extended up until the late summer of 1994, which would be almost a 12-month extension?

Mr. WEBER. We don't believe that that would be advisable. Basically why we have extended at this point was to give, because the river being shut down, to give producers an opportunity to not have to market within the next couple of months when it is going to be difficult to do that.

That was the intent behind extending the loans until September 30.

We would give producers the opportunity that have corn, eligible corn, the opportunity to go into the Reserve program and this will give them the opportunity to extend the loan for 27 months.

Mr. MINGE. They can convert to the loan program?

Mr. WEBER. The problem we have in some areas is that they have poor quality corn under loan and it is recourse loans and recourse loans are not eligible to go into the Reserve program.

It is only nonrecourse loans that can enter the Reserve program.

Mr. MINGE. The concern I have heard expressed is not only that the barges are not moving on the river, but that the full impact of any crop shortfall is not going to be reflected in the market until 1994. The farmers, who are forced to sell or market their reserves now in 1993 or even until September, are not going to have the chance to obtain the higher price that in many cases may be critical to their survival in farming. If the opportunity to extend this to a later point in 1994 were available, it would greatly assist them.

Mr. WEBER. We will take your comments into consideration, yes.

The CHAIRMAN. Mr. Nussle, for a couple of follow-up questions.

Mr. NUSSLE. Thank you, Mr. Chairman.

I would like to follow up on Mr. Minge's question and ask why you wouldn't consider an extension?

Mr. WEBER. Why we wouldn't consider? We have considered—

Mr. NUSSLE. I understand that, to September. But as Mr. Minge mentioned and as I will mention again, Iowa is landlocked right now. The barges are not moving, we don't have train traffic out of Iowa now. We can't move anything.

Probably bridges are next.

So this is not a September 1 situation, this is an October, November, December, maybe January if we are lucky. So would you consider a 6-month extension and if not, why?

Mr. WEBER. I don't know of any reason why we wouldn't consider that if prior to September 30, it becomes obvious that we still have similar problems, why we couldn't extend longer.

Mr. NUSSLE. OK. My request would be that you deliver a message to the Secretary that we will need that. It seems pretty obvious already that that will be the case just for repair, if nothing else.

The second thing is that on the CRP, you have indicated that you are going to be granting the counties authorization to open this up. That this authority for this release is something that the counties have to basically apply for.

My concern is twofold, first of all, farmers are not objecting to paying for reduction in their annual payment and having the 50 percent reduction, for example, just to have one cut, however it is not very beneficial because our quality as well as quantity is down.

First of all, we are paying more as I understand than we were last year for the same privilege and our quality and quantity is down. My question is, is there a way that we can fashion a sliding scale, if you will, or a formula to compute value of the crop that they are cutting? Because this is from one farm to the next we are talking about a difference of cut being twice as valuable.

So I think that is something we need to consider. Is that something you would consider?

Mr. WEBER. That is something we could consider. That is essentially what we did last year, was on a sliding scale, and we wound up having many people dissatisfied with that.

That is one reason why we have gone back to the straight 50 percent but certainly it is something that could be considered.

Mr. NUSSLE. They are dissatisfied with the fact they have to do it at all, but the sliding scale I think would be preferable to just an outright one size fits all.

Mr. WEBER. We had as many complaints on the sliding scale as when we had it on the standard rates. So we played both ways.

Mr. NUSSLE. What about those who would want to partake in that?

Mr. WEBER. We could consider that, yes.

Mr. NUSSLE. The last thing I wanted to touch on quickly is, I have done a quick check with some of my ASCS offices and with regards to the emergency feed assistance program, they are telling me this thing is a real bear to administer, and they are getting very little guidance from Washington. Which may be the typical answer that you get every time you talk to ASCS.

But is there a way that we can help them to make this program easier to administer because I think it is probably a good alternative but one that obviously we need to try and streamline.

Is this a common complaint that I am just singing to the choir about, or is this news to you?

Mr. WEBER. It is not news to me. We are looking into those kinds of things right now. We have a project underway where we are going to look at all of our operating procedures.

We currently have 60,000 pages of procedure at ASCS. You really ask yourself whether we need that many pages of procedure to operate the programs, and we are under a process now to review that and try to reduce the amount of burden we have out there on not only our county offices, but on producers.

It is going to take a period of time to whittle that down, but that is what we are attempting to do.

Mr. NUSSLE. Would we also be able to open the program to farmers who don't raise their own feed?

Mr. WEBER. We would need to look into that, yes.

Mr. NUSSLE. Just the last thing would be a comment to the Chairman, and I really appreciate your leadership in holding this hearing.

I would plead with you from the town meetings I have had where farmers came and they are so frustrated over the crop insurance issue. I appreciate your commitment to work on this, and I realize it is an election year coming up and that may be a motivation, but we have had many election years where that should have been the motivation, and it seems to have escaped both the administration and the Congress.

I am not suggesting there is blame. I am just trying to be another one that helps light the fire. So I appreciate your leadership in that, Mr. Chairman.

The CHAIRMAN. I thank the gentleman, and I appreciate your concern. This is an ongoing issue. Prior to the Mississippi spilling over, we were working on crop insurance. And we will continue to be working and hopefully we have a window of opportunity here because of the disaster. But I concur with the decision of the Secretary to keep it separate to the extent possible. We will be addressing that. We will be working with you and all of the other Members from all the affected areas.

I had a communication from Congressman Bill Hefner of North Carolina and without objection we will incorporate that into the record.

[The letter appears at the conclusion of the hearing.]

The CHAIRMAN. And any other statements we may get from other members who came or left, they will be placed in the record.

Secretary Rominger, I want to thank you for your appearance today, for your excellent preparation and the selection of the colleagues that accompanied you.

We may not have gotten the answers we wanted, but you had the answers from your area of expertise. It is seldom that we have a group as well prepared as you seem to be, and I wanted to commend you for that.

Through you, I would like to commend the Secretary, the administration, the President and the Vice President, for the manner in which they have exercised their particular authorities in this endeavor. I cannot too highly commend the way that all this has been handled and in a very efficient way within the confines of the law and the constraints under the budget.

I also think a special commendation should be made to the administration—for when the President, Secretary Christopher, Secretary Bentsen and Ambassador Kantor were in Tokyo achieving the tremendous breakthrough which they did, not necessarily only for us, but for the world, with the Group of Seven meeting—nonetheless the functions of government continued here. This is to me a personal special commendation for what they did in Tokyo, and for what the troops here at home did under very difficult circumstances and in a very difficult situation.

Today the President is in Iowa, and the Secretary is with him. So I think that I could correctly state that, on behalf of the committee, all of us are very proud of the way this matter has been handled, and through you I would like to express our commendation.

Mr. Roberts.

Mr. ROBERTS. I think you wrote for me, Mr. Chairman, my appropriate comment, which was "amen," which I will add at this particular time.

I think I should say in behalf of the minority that I want to give real credit to the President for being on-site, and I want to give the same credit to the Secretary for being on-site on several occasions and more especially to all of you for being here, and for being so well prepared with a subject that is exceedingly difficult.

My past experience with disaster programs is that everybody is very eager to provide the help and then when you come to the funding of the program and more especially when you come to the administration of the program, we get into all sorts of problems.

It is like pushing a rope. I know, Randy, I can remember the emergency feed assistance situation where I had many livestock producers indicating that you had to have a situation where you were totally out of feed so the old boy that did that on purpose got the emergency feed assistance, the person who was more frugal at least had some bales of hay in the barn, he didn't get any assistance and that led to some problems.

I can anticipate again some real problems after the 1st of August, say a farmer is hailed out in Kansas after August, his neighbor who farms the creek bed, he gets disaster relief about the same time, this other fellow will not be eligible.

About that time you are going to hear from a lot of individual producers and the glow of all this is going to get a little hot, and you have been down that road before and I really appreciate it.

I am concerned about the quality loss situation. Mr. Chairman, this is an odd number year. Usually the disaster programs come in even numbered years with considerable funding behind them.

But I want to echo your comments. I think this administration has moved, I think it has moved with dispatch, and I think you are doing an excellent job and we promise to work with you to the best of our ability.

I thank you.

The CHAIRMAN. I thank the gentlemen.

There is always one last question and some member left to go to another meeting, he left a question behind that I will ask you.

Can a producer with Federal crop insurance who was flooded collect Federal crop insurance and sign up for 0/92?

Mr. ROMINGER. Randy.

The CHAIRMAN. I think you answered that there would be an offset to get to the amount.

Mr. WEBER. He was signed up for prevented planting under crop insurance?

The CHAIRMAN. I don't know. The question is, can a producer with Federal crop insurance, flooded, can he collect Federal crop insurance and sign up for 0/92?

Mr. ROMINGER. Yes.

Mr. WEBER. Yes, the answer is yes.

The CHAIRMAN. He would be signed up for prevented planting?

Mr. ROBERTS. Isn't there an offset? You can't get a disaster payment and target price deficiency under 0/92 without one offsetting.

Mr. WEBER. Yes, there is the offset there, that's correct, but not on crop insurance.

Mr. ROBERTS. Not crop insurance, but on 0/92.

Mr. WEBER. Yes.

Mr. ROBERTS. And the disaster payment.

The CHAIRMAN. We thank you. We thank you, Mr. Secretary, and we thank your group.

I can't leave out again the excellent work done by the volunteer agencies outside of Government, and I mention again Willacy County, and the Red Cross that I visited with was terrific.

Again, I add my commendation to all the volunteer agencies that are there now.

Mr. ROBERTS. I have one other request, Mr. Combest may have questions to send to the Federal crop insurance folks for a written response to his office. I would like permission for him to do that.

The CHAIRMAN. Without objection.

With that, the committee will stand adjourned subject to the call of the Chair.

[Whereupon, at 4:40 p.m., the committee was adjourned, to reconvene, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF
DEPUTY SECRETARY RICHARD ROMINGER
UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

July 14, 1993

Mr. Chairman and members of the Committee, I welcome the opportunity to discuss the midwest disaster caused by excess moisture and flooding. The midwest disaster has inundated farm fields, farm structures, dwellings and community water systems, and it has increased the need for food assistance. These effects all involve responsibilities of the Department of Agriculture. This afternoon, I would like first to provide our assessment of agricultural conditions and their implications for U.S. producers and for the general public. Then, I will discuss the assistance measures we have taken to date and the Administration's suggestions for further action.

Dimensions of the Disaster

The terrible destruction being inflicted by this summer's wet weather is of concern to all Americans because of the devastating loss of property and the human misery that is occurring. The agricultural losses are concentrated in 7 states: Illinois, Iowa, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin. Other states also have areas affected by the excess moisture. Iowa, at the center of the excessively wet conditions, is having its wettest year since records began in 1873.

June rainfall in much of the western corn belt was more than 200 percent of normal, with many localities exceeding 10 inches

for the month. During July 1-12, rainfall continued to exceed 200 percent of normal, with some areas exceeding 700 percent of normal.

The rain has continued this week, but the pattern of stalled weather systems has changed and movement east is now more progressive. Unfortunately, the 6 to 10 day forecast of the National Weather Service continues to call for above average precipitation in the western corn belt. This continuing deluge has had its major ruinous effect on corn and soybeans. The affected states annually produce over one-half of the nation's corn and soybeans.

We are continuing to evaluate the potential crop losses. On Monday, July 12, the Department issued a tentative assessment of the reduction in national crop production due to weather conditions to that date. We will be following up these estimates with in-field, probability-based surveys of acreage and yield beginning July 19. These survey results will be published on August 11. The surveys will provide more definitive acreage, yield and production estimates on a state-by-state basis.

Monday's report indicates substantial reductions in corn and soybean acreage and yields from the levels expected a month ago. The National Agricultural Statistics Service had surveyed producers during the first two weeks of June to determine their 1993 planted acreage and released the results on June 30. On Monday, USDA adjusted those estimates to reflect the torrential rains that began in the western corn belt during mid-June.

Monday's estimates are not based on probability surveys, but are based on analysis and judgements provided by USDA staff and experts in the affected states.

USDA continues to project the U.S. corn planted acreage estimate indicated in the June 30 report. However, USDA now estimates that approximately 800,000 fewer acres of corn will be harvested. Excessive moisture is also now expected to reduce U.S. corn yields by 4.7 bushels from the 122.7 bushels per acre projected earlier. U.S. corn production is forecast at 7.85 billion bushels, 650 million less than projected in May and June. The mid-point of the farm price forecast for corn for 1993/94 is \$2.20 per bushel, up from \$2.05 expected last month.

For soybeans, the forecasts released Monday indicate that farmers will not be able to plant 2 million acres of the 61.6 million indicated on June 30. Abandonment likely will increase and harvested acres are expected to be 2.5 million below the June 30 estimate. U.S. yields are also expected to decline, indicating a production of 1.975 billion bushels, 70 million less than forecast during June. In view of lower production prospects, the mid-point of the farm price forecast for soybeans has been increased from \$5.85 per bushel to \$6.38.

Although this week's production forecasts are national projections and reflect all the weather developments across America, the changes largely can be attributed to the developments in the western corn belt.

Mr. Chairman, there is a great deal of interest in the

losses by crop and by state. However, we cannot yet provide such estimates with precision. We can use Monday's report as a very rough guide of the magnitude of the total losses on corn and soybeans. The forecast reduction in corn and soybean production value between the June and July estimates totals about \$1.8 billion. This is not an estimate of claims expected but an estimate of reduced production valued at market prices. We know that these are not the only losses facing America's farmers from natural disasters this spring and summer. In the affected states, crops other than corn and soybeans are being damaged and other regions face problems: for example, there is excess moisture and hail damage in some wheat areas, and there is a large area of drought in the southeastern states affecting many crops.

The magnitude of the losses to date is of extreme concern to the affected farmers and residents of the midwest. However, the losses are not of the magnitude to jeopardize the U.S. food supply or significantly affect food prices.

The main effect of the higher soybean and corn prices is an increase in the cost of producing meat. However, U.S. meat supplies are ample and meat prices have been strong enough that the rain-induced increases in feed costs are likely to have only very modest effects on meat production and prices.

Prior to the flooding in the midwest, the Department's forecast of the Consumer Price Index (CPI) for food during 1993 was a very modest increase of 2 to 3 percent. The corn and

soybean price changes reported on Monday would suggest a change in the food CPI only in the tenths of a percentage point, thus our food CPI forecast of a 2 to 3 percent increase is unlikely to change due to the rains, and we anticipate no significant food price effects carrying into 1994. Because food accounts for only 16 percent of the CPI for all items, virtually no effect on inflation is expected.

Those in agriculture most seriously affected by the rains in the midwest are the producers who face destroyed or damaged crops. The overall effect of this year's weather problems on farm income will be obscured by those producers who have had ample but not excessive rain, achieve bumper crops and selling them at the now higher prices. This Administration is focusing its attention on finding appropriate ways to assist those who are suffering crop losses.

USDA Response to Date

USDA is using existing authorities to assist expeditiously farmers and others affected by adverse weather conditions. We have announced a number of farm program changes that permit farmers greater flexibility to draw upon existing programs for assistance. We are also making credit and loan guarantees available to cover losses. We are providing food assistance to those in the affected areas. And, we are seeking your help in providing disaster assistance to producers of 1993 crops.

With regard to commodity price support and production adjustment programs, the Commodity Credit Corporation (CCC) is

extending reporting dates for spring-seeded crops in States affected by the unprecedented adverse weather conditions to July 31. This change will give producers a window of opportunity to make program choices appropriate for their circumstances. For example, producers who have enrolled in the farm program, but have been prevented from planting or who have failed acres, would be able to participate in the "0/92" program which will allow them to receive deficiency payments equal to 92 percent of the amount they would expect to receive under normal conditions. Producers will also have until July 31 to file a request for prevented planting credit.

Producers have expressed concern that if they could not plant a crop they will be required to repay advance deficiency payments. Although we do not have the authority to waive repayment of advance deficiency payments, CCC regulations do contain provisions that give producers greater flexibility to refund advance deficiency payments. Producers may repay in 30 days or over extended time periods, at the lowest allowable interest rates. Affected producers will also be able to take advantage of the extended crop reporting deadlines to use the "0/92" provisions of the wheat and feed grain program to avert the necessity to refund advance payments.

Through the Farmers Home Administration, we also will be providing low interest emergency loans to cover production and other losses, making emergency shelter available, restructuring existing loans that cannot be repaid due to the disaster, and

expediting our emergency assistance procedures.

One of the tragedies of the flood areas is the contamination of and damage to water systems. The Rural Development Administration will assist rural communities and businesses affected by the flooding by providing loan and grant assistance for repair and rehabilitation of uninsured water and waste disposal systems not covered by assistance from the Federal Emergency Management Agency.

The Soil Conservation Service (SCS) will assist agricultural producers through the Emergency Watershed Protection Program (EWP), subject to available funds. The work that usually occurs under the EWP program involves opening and restoring water courses and protecting homes, businesses, schools, road crossings, agricultural land, and other structures. SCS has teams out in affected states, but right now the water is simply too high to make definitive damage assessments. SCS will move swiftly as the water subsides.

SCS and ASCS will also provide assistance through the Emergency Conservation Program, subject to available funds. For producers who participate in this program, SCS will provide the technical assistance and ASCS will provide the funding to redesign terraces and other conservation practices that have been destroyed or damaged by the flooding.

Producers who did not previously participate in USDA programs and do not have a conservation plan are ineligible for financial assistance. SCS will give those producers high

priority in developing a conservation plan to bring them into compliance with the conservation provisions of the 1985 Food Security Act.

Food assistance needs of disaster victims are being monitored by the Food and Nutrition Service (FNS). Thus far, all requests for commodity assistance have been met. Small quantities of USDA donated foods have been used to support meal services of disaster relief agencies like the Red Cross in South Dakota, Illinois and Missouri. We have approved a request for emergency food stamp assistance from Illinois. Other states are expected to apply soon. We are working with state officials and anticipate quick approval of requests.

We are also working to ensure that as much information as possible on available assistance is being provided to the affected areas. We are stationing representatives from ASCS, FmHA and FNS at Disaster Field Offices of the Federal Emergency Management Agency to assist those seeking help.

The Federal Crop Insurance Corporation will also be providing indemnity payments to those insured producers who suffer qualifying yield reductions. Participation in the crop insurance program is high in the affected States relative to the rest of the nation and participating producers who suffer yield losses will receive payments to cover a portion of their losses. However, many producers who bought crop insurance will be ineligible for payments because their policies do not cover losses due to prevented plantings. For example, in Iowa only 6

prevented planting policies were in effect for 1992 spring-planted crops. Under the standard crop insurance policy, if you do not plant anything, you are not eligible for indemnity payments.

The things we have implemented thus far are effective, discretionary actions that can be taken quickly. However, we believe they will not provide a sufficient level of financial relief for producers who suffer crop losses as a result of flooding and other adverse weather conditions. Consequently, the Administration is proposing supplemental appropriations on an emergency basis.

We want to work closely with Congress to ensure quick enactment of this emergency supplemental appropriation. Unfortunately, once again, America's farmers are dependent on legislative assistance because participation in the Federal crop insurance program has not been sufficient. The President is committed to making crop insurance work. We need to obviate the need for ad hoc disaster assistance by creating a crop insurance program that is equitable for producers, provides sufficient protection and is fiscally viable. We are examining the current legislative proposals in the Senate and House Reconciliation Bills and the House Appropriation Bill. We are also prepared to work with Congress to reform the existing crop insurance program to reduce the need for crop disaster payments in the future.

CRS Issue Brief

Agricultural Disaster Assistance

Updated July 13, 1993

by
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Environment and Natural Resources Policy Division



Congressional Research Service • The Library of Congress



CONTENTS**SUMMARY****ISSUE DEFINITION****MOST RECENT DEVELOPMENTS****BACKGROUND AND ANALYSIS**

A Brief History of Recent Farm Disaster Legislation

Pending Farm Disaster Legislation

Disaster Payment Mechanism

Budget Constraints on Disaster Payments

USDA Administrative Actions for 1993 Agricultural Disasters

Ongoing Federal Farm Disaster Programs

Crop Insurance

Emergency Disaster Loans

Policy Implications

Agricultural Disaster Assistance

SUMMARY

Heavy rain and extensive flooding in portions of the Upper Midwest and the Corn Belt have prompted Congress to consider funding for disaster payments to farmers with large 1993 crop losses. This year marks the eighth consecutive crop year that ad-hoc farm disaster payment legislation has been provided to farmers adversely affected by a wide variety of natural disasters. Approximately \$397 million in disaster payments was recently made available for 1993 crop losses, and Congress will soon begin consideration of at least another \$850 million in new funding for additional farm disaster payments, which would bring total payments to \$1.2 billion.

Of the \$397 million already available, \$297 million was provided by a provision in the Supplemental Appropriations Act of 1993 (P.L. 103-50, H.R. 2118), which became law on July 2, 1993. It allows unexpended funds from previous years' disaster appropriations to be applied to 1993 crop loss payments. Another \$100 million became available at about the same time, when the President declared a budget emergency, making funds available as permitted by the Hurricane Andrew supplemental appropriation bill (P.L. 102-368) enacted last year.

Pending legislation (H.R. 2579) would extend the disaster payment provisions of the 1990 farm bill to all producers nationwide who experience a minimum 1993 crop loss of 40% (or 35% if the producer had an active crop insurance policy) as the result of a natural disaster. For losses in excess of these minimum levels, a producer could potentially receive 65% of the relevant price for that commodity.

Due to budget constraints, the funds that have been appropriated in recent years for farm disaster payments have not been sufficient to allow all producers to receive full payment under this formula. In the recent past, USDA has accepted all applications by a specific deadline date, and then disbursed the funds on a pro-rata basis to all eligible applicants. For example if \$1 billion is appropriated but \$2 billion is required for full funding, each producer would receive 50% of the amount they would have received had full funding been available. A minimum pro rata share of 50% may be established for 1993 payments, which would allow USDA to make payments as each application is received rather than waiting until the end of the year when the final prorated share is determined.

Separate from the disaster payment program, qualified agricultural producers can also receive other forms of Federal assistance through ongoing programs under USDA's auspices. The agency offers a federally subsidized crop insurance program on most crops at planting and low-interest emergency disaster loans to help producers recover from production losses following a disaster.

Many policymakers maintain that the pressure for an eighth consecutive year of ad-hoc farm disaster payment legislation is a clear indication that the Federal crop insurance program has not lived up to expectations that it would permanently replace disaster payments. Consequently, Congress might eventually reconsider the proper role of Government in farm risk management.

MOST RECENT DEVELOPMENTS

Severe flooding in the Midwest has prompted Congress to consider funding for farm disaster payments for 1993 crop losses. The Supplemental Appropriations Act of 1993 (P.L. 103-50, H.R. 2118), signed into law on July 2, 1993, will allow nearly \$300 million in unexpended funds from previous farm disaster appropriations to be used for 1993 crop loss and crop quality payments. The President has made available another \$100 million in farm disaster funds, exercising discretion given to him in a 1992 appropriations bill, and has requested that Congress consider an appropriation for an additional \$850 million.

BACKGROUND AND ANALYSIS

A Brief History of Recent Farm Disaster Legislation

Continued heavy rain and extensive flooding in portions of the Upper Midwest and the Corn Belt have prompted the Administration to request that Congress consider funding for disaster payments to farmers with large crop losses. This year marks the eighth consecutive crop year that ad-hoc farm disaster payment legislation has been provided to farmers adversely affected by a wide variety of natural disasters.

In omnibus farm acts prior to 1985, USDA had the authority to make direct disaster payments to producers participating in the Government's price and income support programs. During the mid- to late-1970s, an average of more than \$400 million per year was paid to farmers. Farm disaster payments came under heavy criticism in the late 1970s because of perceptions that they were not made equally available to all farmers and that they encouraged farmers to enter land into production that was susceptible to natural disasters.

In the Food Security Act of 1985 (P.L. 99-198, the 1985 farm bill), Congress sought to bolster participation in the Federal crop insurance program by allowing the Secretary to make disaster payments only if crop insurance were not available. (Although this provision expired in 1990, the Food, Agriculture, Conservation, and Trade Act of 1990 -- P.L. 101-624, the 1990 farm bill -- extended this authority through 1995.) Because crop insurance is available on all program crops in all counties, the Secretary is precluded from making disaster payments unless he declares an economic emergency (which no Secretary has done since 1985).

Many farm groups contend that ongoing USDA programs (see "Ongoing Federal Farm Disaster Programs" below) have not adequately alleviated the financial losses caused by recent natural disasters. Consequently, Congress has been urged to make funds available to farmers suffering large crop losses on a number of occasions since 1986.

1986: A \$400-million disaster relief package was attached to the **FY1987 omnibus spending bill (P.L. 99-591, Section 101 (a))**, to provide assistance primarily to crop producers affected by severe drought in the Southeast. Under the measure, USDA was required to issue payment-in-kind (PIK) certificates, redeemable for Government-owned grain, to program-crop producers in counties affected by drought, excessive heat, floods, hail, or excessive moisture.

1987: Congress passed the **Farm Disaster Assistance Act of 1987 (P.L. 100-45)** to provide \$135 million in additional assistance to supplement the 1986 legislation. The 1987 Act was designed to assist Midwestern producers that were unable to plant their winter wheat crop in the fall of 1986 due to flood conditions, and also authorized disaster payments to apple growers who lost production due to a 1986 freeze.

1988: The Disaster Assistance Act of 1988 (P.L. 100-387), enacted in response to that year's severe and widespread drought, represents the most expensive agricultural disaster payment legislation in the Nation's history. Under the 1988 Act, USDA made cash disaster payments of \$3.37 billion to producers who experienced a minimum loss of 35% of their crop, another \$484.7 million in various types of livestock feed assistance, and \$6.5 million in other assistance, for a total of nearly \$4 billion in Federal assistance.

1989: The Disaster Assistance Act of 1989 (P.L. 101-82) provided disaster payments to producers suffering severe losses in 1989 crop production, regardless of whether the disaster occurred in 1988 or 1989. USDA made virtually all of its disaster payments in certificates that were redeemable for Government-owned commodities (\$1.48 billion), and \$146 million in emergency livestock feed assistance, for total benefits of \$1.6 billion.

1990-93: Title XXII of the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624, the omnibus 1990 farm bill) authorized emergency crop loss assistance for producers of 1990 crops affected by any weather-related disaster, subject to appropriations. Funding for this program was provided by two emergency supplemental appropriations bills, one each in 1991 and 1992.

The first of these **emergency supplemental appropriations (P.L. 102-229)** was enacted in December 1991, providing \$995 million for 1990 or 1991 crop losses, and an additional \$755 million for 1990, 1991, or 1992 losses pending a request by the President. Shortly after Hurricane Andrew struck Florida and Louisiana in August 1992, President Bush announced that he was declaring a budget emergency for the remaining \$755 million, which made the funds available. By law, \$100 million was earmarked for growers of a winter crop harvested in 1992.

Following an Administration request for additional assistance for victims of Hurricane Andrew, Hurricane Iniki (Hawaii), and Typhoon Omar (Guam), Congress responded by passing another **emergency supplemental bill (P.L. 102-368)** in September 1992, which included funding for \$382 million in farm disaster payments, to supplement the \$755 million already available. P.L. 102-368 also made available an additional \$100 million in farm disaster payments, pending a separate budget request from the President, which up until July 1993 had not been requested.

Of the slightly more than \$2.1 billion made available by these two emergency supplemental bills for 1990, 1991, and 1992 crop losses, all but \$297 million was expended. When the **Supplemental Appropriations Act of 1993 (P.L. 103-50, H.R. 2118)** became law on July 2, 1993, it allowed the remaining \$297 million to be applied to 1993 crop losses, as well as to losses in the previous 3 years. P.L. 103-50 also allows these funds to be used for payments to farmers who have experienced a significant reduction in the quality of their crops as the result of a natural disaster, and limits any payments under the Act to disasters occurring prior to Aug. 1, 1993.

Pending Farm Disaster Legislation

On July 4, 1993, President Clinton announced on his tour of the flood-affected regions of the Midwest that he will seek \$1.2 billion in farm disaster assistance for 1993 crop losses. Of this amount: 1) \$297 million would come from unexpended funds from earlier disaster appropriations in FY1992 (P.L. 102-229 and P.L. 103-368); 2) another \$100 million has become available as a result of a provision in the Hurricane Andrew supplemental appropriation bill (P.L. 102-368), which would make such amount available following a budget emergency declaration from the President; and 3) an additional \$850 million would be requested from Congress in the form of a new appropriation. Congress is expected to consider a supplemental appropriation for farm disaster assistance shortly after the July 4 recess.

Disaster Payment Mechanism

The authorizing language for farm disaster payments made since 1990 has been the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624, the 1990 farm bill), as amended by the subsequent supplemental appropriations bills. However, the current statute limits farm disaster payments to affected producers with crops harvested in 1990, 1991, or 1992. The chairman of the House Agriculture Committee introduced legislation (H.R. 2579) on July 1 that would serve as the framework for expending any new funds that are appropriated for 1993 crop disasters. In essence, H.R. 2579 would extend the disaster provisions of the 1990 farm bill to cover 1993 crop losses.

If 1993 farm disaster payments are handled this year as in the recent past, payments would not be limited to one specific region of the Nation such as Midwest flood victims, but would instead be available to all crop producers who meet the eligibility requirements for a payment.

Based on the provisions of the 1990 farm bill and H.R. 2579, the disaster payment program would be conducted in the following manner:

Payment Formula: H.R. 2579 would make eligible for a disaster payment any producer of a crop harvested in 1993 who experiences a minimum crop loss of 40%, or 35% if the producer had an active crop insurance policy. For losses in excess of these minimum levels, a producer could potentially receive 65% of the relevant price for that commodity. The relevant price differs by commodity, but is basically the target price for those who participate in Federal price and income support programs, and the 5-year average market price for nonprogram crops. Disaster payments are administered through the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service (ASCS), the agency that administers all of the farm commodity price and income support programs for USDA.

Payment Limitations: Total disaster payments received through all disaster assistance programs (including livestock assistance) could not exceed \$100,000 per person. Also, the sum of the payments a producer receives from disaster payments and crop insurance on a unit of production could not exceed the relevant price for that commodity. Payments would only be made to producers with qualifying gross revenues of less than \$2 million.

Eligibility of "Flex" Acreage: Provisions in the 1990 farm bill allow a program crop producer to plant a substitute crop on a portion of permitted acreage (flex acreage) without loss of crop acreage base. Although the disaster provisions in the farm bill are silent on whether a producer can receive a disaster payment on flex acreage, USDA made payments on flex acreage for 1991 and 1992 losses at a lower rate. USDA used the Government-established loan rate as the relevant price for flex acres, rather than the target price which it used for permitted acreage. H.R. 2579 would codify the eligibility of flex acreage for disaster payments.

Crop Insurance Requirements: Section 2247 of the 1990 farm bill required a producer to purchase crop insurance in 1991 if the producer received a payment for 1990 losses, but did not specifically address whether a policy would be required following losses in subsequent years. H.R. 2579 would require a producer to purchase a crop insurance policy in 1994, if the producer receives a disaster payment for 1993 losses. However, both the 1990 farm bill and H.R. 2579 exempt from the purchase requirement any producers who: 1) experienced a crop loss of less than 65%, 2) produced a crop for which insurance is not available, or 3) proves that the purchase of a crop insurance policy is cost-prohibitive.

Orchard and Forest Crop Assistance: Like the 1990 farm bill, H.R. 2579 contains a provision that makes payments to orchardists and forest crop growers who experience tree mortality in excess of 35% due to damaging weather or related condition. The provision calls for these tree assistance program (TAP) payments to be 65% of the cost of replanting trees in excess of the 35% threshold. Payments are restricted to producers with gross revenue under \$2 million.

Budget Constraints on Disaster Payments

Due to budget constraints, the funds that have been appropriated in recent years for farm disaster payments have not been sufficient to allow all producers to receive full payment under the formula described above. Rather than allocating the funds on a first-come-first-serve basis, USDA in the recent past has accepted all applications by a specific deadline date, and then disbursed the funds on a pro-rata basis to all eligible applicants.

For example, following the \$995 million appropriation in 1991, USDA accepted applications until the spring of 1992, and determined after the deadline that nearly \$2 billion would have been required to make full payment to all producers. Since \$995 million was available and \$2 billion required, USDA paid eligible producers 50% of the amount they would have received had full funding been available.

The Hurricane Andrew supplemental appropriations bill in 1992 (P.L. 102-368) guaranteed that producers would receive no less than 50% of full payment, and authorized the USDA Commodity Credit Corporation to expend the necessary funds to meet that minimum pro-rata share. Because of this minimum guaranteed payment level, USDA was able to make payments as each application was received rather than waiting until the end of the year when the final prorated share would be determined. A similar funding mechanism could possibly be used for 1993 crop losses so that payments can be made this year rather than early next year.

Another budget issue that Congress will likely address is how to provide disaster payment funds given the constraints of the current 5-year deficit reduction agreement.

Although the Omnibus Budget Reconciliation Act of 1990 requires a new appropriation to be offset by either a reduction in other expenditures or a tax increase, it waives this requirement if both Congress and the Administration declare a budget emergency for the new appropriation. A budget emergency was declared for the disaster payment funds made available in the two supplemental appropriations bills from 1991 and 1992. When a budget emergency is declared, the amount of the emergency appropriations adds directly to the deficit. Since Congress is currently in the midst of crafting a new 5-year budget reconciliation bill, it is unclear at this point whether a similar funding mechanism would be used again this year.

USDA Administrative Actions for 1993 Agricultural Disasters

In response to the Midwest flooding and other natural disasters affecting agriculture this year, the Secretary of Agriculture announced a series of administrative changes to their farm programs. These actions include:

Availability of the 0/92 Program: The 0/92 program allows participating program crop (wheat and feed grain) growers to place all of their eligible acreage in conserving use and still receive 92% of the deficiency payments they would have received had they planted all of their permitted acreage. Although the enrollment deadline has passed for the 1993 crop year, USDA will allow any producer who has enrolled in the commodity program, and has been either prevented from planting or has a failed crop, to enroll in the 0/92 program by July 31, 1993.

Flexibility in Refunding Advance Deficiency Payments: Normally, if a producer is prevented from planting a program crop, such as corn, and instead decides to plant an alternate crop, such as soybeans, any advance deficiency payments that the producer received on the corn acreage must be returned to USDA. USDA will now allow the unearned advances to be returned within 30 days, or will make arrangements for the producer to refund the payments in installments at the lowest allowable interest rate.

Waiver of Minimum Size Requirements on Set-Aside Acreage: Producers will be allowed to designate small wet areas (minimum size of 0.1 acre) as acreage conservation reserve (ACR) or conserving use (CU) under farm programs. The current minimum size is 5 acres.

Ongoing Federal Farm Disaster Programs

The U.S. Department of Agriculture offers two ongoing programs to farmers to help them ameliorate the financial losses associated with damaging weather and other natural disasters: a federally subsidized crop insurance program and emergency disaster loans.

Crop Insurance

Federal crop insurance is provided through USDA's Federal Crop Insurance Corporation (FCIC) for virtually every major crop produced in most areas. The program is designed to protect crop producers from unavoidable risks associated with

adverse weather, plant diseases, and insect infestations. Crop insurance is intended to provide individual risk protection. This means that all producers are eligible to participate if coverage is available, and payments are not contingent on a county being declared a disaster area or on any other area-loss experience. However, a producer must purchase a policy by an administratively determined deadline date, which varies by crop and usually coincides with the planting season.

Prior to 1980, the Federal crop insurance program had operated only in selected counties for a limited number of crops, and farmers paid the full cost of the premium. Although the program has been in existence since 1939, growth up until 1980 had been very slow because of budget limitations and restrictions that were placed on program operations in high-risk areas. The Federal Crop Insurance Act of 1980 (P.L. 96-365) greatly expanded the availability of crop insurance and mandated broader Federal subsidization of the program.

Under the current program, participating producers can protect their production at 50, 65 or 75% of an established normal crop yield and can also choose various levels of price coverage. Producers pay premiums that increase as the level of yield and price coverage rises. Thirty percent of the producer premium up to the 65% level of coverage is subsidized by the Federal Government through the FCIC. Most policies are sold and completely serviced through private insurance companies that are reinsured by FCIC. FCIC absorbs a large percentage of the program losses and compensates the reinsured companies for a large portion of their operating and administrative expenses.

During 1992, the crop insurance program paid out \$885 million in indemnities on total premiums of \$761 million, for a net program loss of \$124 million. Additionally, FCIC incurred \$332 million in operating expenses, and \$197 million in premium subsidies (included in the \$761 million in total premiums), representing a net Government cost of \$653 million. The program has experienced a net program loss (indemnities exceeding premiums) in every year since the program was expanded in 1980, with the largest program loss occurring in 1988 when indemnities exceeded premiums by \$616 million.

(For more details on the mechanics of the Federal crop insurance program, see CRS Report 92-739, *Federal Crop Insurance: Current Issues and Options for Reform*, Mar. 26, 1992.)

Emergency Disaster Loans

When a county has been declared a disaster area by either the President, the Secretary of Agriculture or the Administrator of USDA's Farmers Home Administration, a producer may become eligible for low-interest emergency disaster (EM) loans available through FmHA. Counties that are contiguous to a county with a disaster designation also become eligible for EM loans. In order to qualify for an EM loan, an individual producer must 1) be a family farmer; 2) experience a production loss of more than 30% to a single crop; 3) have an active Federal crop insurance policy, if insurance is available (P.L. 102-229 waived this requirement for losses associated with the 1991 crop year only); and 4) be unable to obtain credit from a commercial lender, but still show the potential to repay the loan. A qualified producer can borrow up to 80% of the actual production loss or \$500,000, whichever is less, at a rate of 4.5%, and is given 8 months to apply for a loan after the county is declared eligible.

FmHA has an allotment of \$115 million for new EM loans in FY1993, of which \$71 million was still available as of July 1, 1993.

Activity in the EM program peaked in the late 1970s and early 1980s when there were few restrictions in place and annual lending averaged \$2.3 billion. However, in recent years, the importance of the EM program as a source of disaster assistance has declined considerably. Until 1985, a producer could receive a subsequent EM loan for up to 5 years following a disaster. The institution of the family farmer and crop insurance requirements, the elimination of subsequent loans, and the propensity for farmers to reduce their debt burden have all contributed to a decline in EM loan volume in recent years. Also, many farmers are more cautious about taking on new debt, as a lesson learned from the farm crisis of the early- to mid-1980s when many farm borrowers had problems cashflowing on their loans.

Policy Implications

In recent years, the Federal Government has taken an active role in helping to protect farmers from the financial consequences of natural disasters. When the Federal Crop Insurance Act of 1980 was enacted, policymakers envisioned that a Government-subsidized crop insurance program would permanently replace direct disaster payments as the primary risk management tool. Many policymakers maintain that the pressure for an eighth consecutive year of ad-hoc farm disaster legislation is a clear indication that the Federal crop insurance program has not lived up to the expectations that it would permanently replace disaster payments as the Government's primary tool for farm risk management. Others maintain that crop insurance is an effective way to manage farm risk and that only minor program reforms are necessary.

Although several fine-tuning reforms were made to the crop insurance program in the 1990 farm bill to bolster program performance and improve its financial standing, many policymakers believe that these reforms were inadequate and that Congress might have to revisit the issue of Federal farm disaster assistance reform. The issue of crop insurance reform will likely be addressed in the pending omnibus budget reconciliation bill. Both the House- and Senate-passed reconciliation bills contain widely divergent provisions for crop insurance reform; these differences will likely be resolved in conference this month.

The central policy questions that remain unanswered but might likely have to be addressed are: What is the proper role of the Federal Government in farm risk management? Should the Federal budget continue to absorb the costs of both a federally subsidized crop insurance program and ad-hoc disaster payments? How can a revamped crop insurance program operate within tight budget parameters and still provide adequate and equitable assistance to the farm community? Alternatively, should Federal involvement in crop insurance be abandoned and replaced with a permanent disaster payment or some other risk management tool? (For further information, see CRS Report 92-739, *Federal Crop Insurance: Current Issues and Options for Reform*, Mar. 26, 1992., and CRS Issue Brief IB93045, *Agriculture and the Budget*, updated regularly.)

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Congress of the United States
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Washington, DC 20515

July 14, 1993

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The Honorable Kika de la Garza
Chairman
House Agriculture Committee
1301 Longworth Building
Washington, DC 20515

Dear Mr. Chairman:

There is considerable interest in your bill, H.R. 2579, which extends to 1993 crops the disaster provisions of the Food, Agriculture, Conservation and Trade Act of 1990. The media focus is, of course, on the flooding in the middle west, but farmers in the State of North Carolina are also suffering disaster in the form of severe drought conditions.

Many of them have expressed concern that they might not be eligible for any disaster assistance. It is my understanding that this is not the case, and that your bill extends the current program for all crops such as tobacco, soybeans, etc. in any declared disaster situation.

We are all very sympathetic with the situation along the Mississippi River, but we must not forget that agriculture production in other parts of the country are also suffering the opposite impact of the current weather pattern.

Governor Jim Hunt of North Carolina is in the process of making a request for disaster declaration, and I support him in this effort. I hope that in your committee's consideration and discussion on this issue that attention can also be given to the drought conditions in North Carolina and other Southeastern states.

With kindest regards, I am

Sincerely,



BILL HEFNER
Member of Congress

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