



# BEYOND CROP INSURANCE : OVERVIEW OF THE 2012 DISASTER ASSISTANCE

August 29, 2012

Across the United States, agricultural producers are facing one of the most severe droughts in U.S. history. Currently more than half the counties in the U.S. have been designated as natural disaster areas by the U.S. Department of Agriculture (USDA). While Crop Insurance is the main support for most of these farmers, in some cases, USDA has modified programs and added new programs to help with the toll this year. In Maryland currently, *Anne Arundel, Calvert, Caroline, Cecil, Charles, Dorchester, Kent, Prince George's, Queen Anne's, Somerset, St. Mary's, Talbot, Wicomico, and Worcester* counties have been designated either a primary or contiguous disaster area by USDA. This factsheet will layout disaster assistance available for agricultural producers in those counties designated as natural disaster areas. This factsheet will focus on those programs beyond crop insurance program that can provide relief to producers already struggling with losses caused by the drought.

## **Emergency Haying and Grazing of CRP**

### **Wetlands Reserve Program Haying and Grazing**

### **Environmental Quality Incentives Program (EQIP) Contract Modifications**

### **Crop Insurance Modifications**

### **Emergency Loans**

### **Disaster Set-Aside Program**

### **Food Purchases**

## **Emergency Haying and Grazing of Conservation Reserve Program (CRP)**

For the state's livestock producers, USDA is expanding emergency haying and grazing of CRP lands to include not only lands classified as "under a severe drought" but also to include those classified as "abnormally dry" maybe grazed or hayed. Currently in Maryland, the previously listed 14 counties are the only counties meeting either of these classifications. Emergency haying and grazing will only be allowed after the primary nesting season, for Maryland that ends on August 15. Livestock producers in those six counties will be able to graze up to 75% of their CRP acreage by November 30, 2012 and hay up to 50% of their CRP acreage by August 31, 2012. Certain environmentally sensitive lands have been excluded from haying or grazing, such as wetlands, stream buffers, and rare habitats. A producer looking to hay or graze their CRP land should check with their county Farm Service Agency (FSA) office to see if their CRP land is eligible.

To hay or graze CRP land, a livestock producer will need to file a request with FSA indicating the CRP acres to be hay or grazed, and sign a modified conservation plan developed by their county Natural Resource Conservation Service (NRCS) office. A producer choosing to hay or graze CRP land will face a reduction in their rental payment by 10% but this has been reduced from the normal 25% rental rate reduction.



## **Wetlands Reserve Program Haying & Grazing**

USDA has also authorized the emergency haying and grazing of Wetlands Reserve Program (WRP) easements where allowing haying and grazing is consistent with the conservation of wetlands and wildlife habitat. Livestock producers in those fourteen Maryland counties discussed before and with WRP easements should contact their county NRCS office about emergency grazing on their easements. NRCS will work closely with these producers to expedite the Compatible of Use Authorization (CUA), or a use that furthers the long term protection and enhancement of the wetland, to allow the emergency haying and grazing.

## **Environmental Quality Incentives Program (EQIP) Contract Modifications**

NRCS has been authorized to allow contract modifications for current EQIP contracts. These modifications could be used to include prescribe grazing, livestock watering facilities, water conservation, and other conservation actions that would address drought issues. Producers in those fourteen Maryland counties with current EQIP contracts will need to contact NRCS to determine if the practices they would like to include to address the drought are eligible. Finally, if the producer is trying to implement a practice prior to the drought and the practice has failed because of the drought, NRCS will work with these producers to re-implement the failed practice.

## **Crop Insurance Modifications**

USDA recognizes that producers suffering through a drought will have cash flow issues with their operations. For that reason, USDA has worked with crop insurance companies to allow the companies to waive charging the 1.25 percent per month fee on late premium payments. USDA has announced that crop insurance companies have agreed to a short grace period of an extra 30 days for producers to make their 2012 premium payments. A Maryland producer would want to check with their local insurance agent to make sure the producer's insurance company is participating in the voluntary program and if the producer meets the qualifications to delay premium payments.

For the 2013 crop year, RMA also plans to file Special Provisions statements to allow for the haying and grazing of cover crops without impacting the insurability of planted 2013 spring crops. According to RMA, the Special Provisions will be available no later than November 30, 2012. RMA strongly encourages all producers considering haying or grazing a cover crop to contact their insurance agent to determine when these operations would have to cease without impacting the eligibility of 2013 crops.

## **Emergency Loans**

FSA offers an Emergency Loan Program for producers in counties declared a disaster area by the President or the Secretary of Agriculture. Emergency loans are offered for producers to restore or replace essential property, pay part or all of their production costs in the disaster year, pay family living expenses, reorganize the operation, or refinance certain debts. The loans are limited to up to \$500,000. Livestock, crop, and non-real estate loans should be repaid within 1 to 7 years, but in some cases can be stretched out to 20 years. Loans for the physical loss to real estate can be repaid within 30 years but can under special circumstances be stretched to a maximum of 40 years. The current interest rate on these loans is 2.25%.

To be eligible for an emergency loan, a producer must live in a county declared a natural disaster area, must be an established producer with sufficient experience, U.S. citizen or permanent resident, have a good credit history, unable to receive commercial credit, provide adequate collateral, and ability to repay. USDA has recently announced that producers will no longer have to wait till the end of a production cycle to obtain an emergency loan. This is one way to help benefit livestock producers in need of assistance today to purchase or offset rising feed costs or liquidating their herds. A producer pursuing this type of loan will need to remember that the loan must be fully collateralized. A qualifying producer would have to apply for this loan within 8 months of the county's disaster declaration.

## Disaster Set-Aside Program

Special assistance does exist for those producers already borrowing from FSA and located in declared natural disaster areas. A FSA borrower will have the opportunity to apply for the Disaster Set-Aside Program (DSA). The DSA allows FSA to set aside one payment owed by the FSA borrower. To be eligible a FSA borrower must be unable to pay all family living expense, farm operating expenses, and payments to FSA and other creditors, must operate an agricultural operation in a county designated a disaster area, acted in good faith, cannot be past due more than 90 days on any FSA loan, FSA debt has not been restructured since the disaster, once DSA is completed the FSA borrower will be current in all FSA loan payments, DSA cannot exceed 1 year of payments, FSA loan can only receive one DSA, unless restructured, and FSA borrower must be able to develop a positive cash flow projection for the next year. A FSA borrower meeting all these requirements could be eligible to receive a DSA from FSA and have some of their payments set aside.

## Food Purchases

USDA has also announced its intent to purchase up to \$170 million of pork, lamb, chicken, and catfish. USDA is doing this to help get demand back in line with supply as livestock producers make hard decisions in whether to reduce their herd size or liquidate their herds. The meat purchased through this program will be made for federal nutrition assistance programs.

## Conclusion

In times of natural disasters, many producers may think of traditional crop insurance as their only form of disaster assistance, but other forms do exist. One final thing for livestock producers to keep in mind is that on August 2, 2012 the U.S. House passed H.R. 6233 the "Agricultural Disaster Assistance Act of 2012." This bill would extend many of the livestock disaster assistance programs from the 2007 Farm Bill, such as Livestock Indemnity Payments program, the Livestock Forage Disaster Program, the Emergency Assistance for Livestock Honey Bees, and Farm-Raised Fish, and Tree Assistance Program, from October 1, 2011 to September 30, 2012. The U.S. Senate did not act on this bill before leaving for the August recess. If this bill does pass the Senate and is signed by the President, it would extend many of the disaster programs previously used by livestock producers and provide extra assistance in these trying times.

## References

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- U.S. Department of Agriculture—Farm Service Agency. "Fact Sheet: Emergency Loan Program." Factsheet, Washington D.C., July 2012. [http://www.fsa.usda.gov/Internet/FSA\\_File/emerg\\_loan\\_prg\\_2012.pdf](http://www.fsa.usda.gov/Internet/FSA_File/emerg_loan_prg_2012.pdf)

**More information on crop insurance and agricultural risk management can be found on the Internet:**

Maryland Department of Agriculture

<http://www.mda.state.md.us/>

United States Department of Agriculture, Risk Management Agency

<http://www.rma.usda.gov/>

National Ag Risk Education Library

<http://www.agrisk.umn.edu/>

Northeast Center for Risk Management Education

<http://www.necrme.org/>

***This publication is for educational purposes only and does not cover all aspects of the crop insurance products described. For specific information about crop insurance products and how they could help you manage risk on your operation, visit your local crop insurance agent.***

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