

**Testimony**  
**U.S. Department of Agriculture**  
**Farm Service Agency, Administrator Bruce Nelson and**  
**Natural Resources Conservation Service, Acting Associate Chief Homer Wilkes**

**Senate Committee on Appropriations, Subcommittee on Homeland Security**  
***“The Federal Role in Disaster Recovery and Response”***

**October 12, 2011**

Madam Chairwoman, Ranking Member and Members of the Subcommittee, thank you for the opportunity to discuss the U.S. Department of Agriculture (USDA)'s efforts to assist those affected by disasters. In times of need, USDA stands ready to provide food, emergency assistance and other resources to affected areas.

As you probably are aware, net farm income is the highest inflation-adjusted value recorded since 1974. However, the risks that our farmers and ranchers take are significant and many of the tremendous challenges our producers face are beyond their control. This past spring, cool temperatures combined with above normal snowmelt and excessive rainfall delayed and in some cases prevented planting of major crops. Flooding was widespread and devastated substantial amounts of land in the Mississippi, Missouri, and Ohio River valleys. While water receded enough to allow late plantings in certain areas, some prime ground along the Missouri remained flooded the entire summer. More recently, Hurricane Irene and Tropical Storm Lee devastated parts of the east coast and much of the northeast, leaving some farmers without power and crops underwater. At the same time, prolonged and record drought in Texas, Oklahoma, and parts of Kansas, accompanied by severe heat, have left fields parched, crops ruined, and ranchers forced to sell their livestock. The resulting lack of grazing and forage has forced some livestock producers to cut herds and raised their costs. While our farmers and ranchers are resilient, these disasters illustrate the importance of a strong and effective safety net for producers who truly need it when events out of their control occur.

**Crop Insurance and the Noninsured Crop Disaster Assistance Program**

In times of crop loss caused by natural disasters, insurance is the first line of defense. The Risk Management Agency (RMA) administers the Federal crop insurance program, which provides insurance policies on over 100 crops. Complementing crop insurance, the Farm Service Agency (FSA) offers the Noninsured Crop Disaster Assistance Program (NAP), which provides financial assistance to eligible producers affected by droughts, floods, hurricanes, or other natural disasters. NAP covers crop losses and prevented planting situations that are not covered by Federal crop insurance.

Both of these programs have existed for many years, and payments to producers have been substantial. For crop year 2011, RMA expects indemnities to exceed any previous payout, largely due to drought in the Great Plains and flooding in the Mississippi River watershed. The previous record for indemnity payments was \$8.7 billion in crop year 2008, on a total program liability of about \$90 billion and premium volume of approximately \$9.9 billion. In comparison,

program liability in crop year 2011 is over \$110 billion and premium volume is over \$11.6 billion. Texas is likely to be the largest indemnity recipient in crop year 2011, given the importance of agricultural production in that state and its historic drought. Record indemnity payments are also expected in many other Great Plains states.

The size of the crop insurance program has grown significantly over time. Significant Midwest flooding also occurred in crop year 1993, when large indemnities were paid and the loss ratio reached 2.19. Yet, total indemnities were less than \$1.7 billion for that year, as premium volume was less than \$800 million—compared to the \$11.6 billion noted above for 2011.

Given that crop insurance coverage is offered for major crops across the United States, NAP payments to producers have been far less overall, averaging about \$72 million per year over the past three years. Historically, top commodities covered by NAP include grass for grazing and forage, which accounts for more than 50 percent of historical payments, and watermelons, cucumbers, alfalfa, and squash (each accounting for less than 4 percent of total payments). In total, more than 150 specialty crops have received NAP payments in recent years.

## **2008 Farm Bill Disaster Programs**

The 2008 Farm Bill (Farm Bill) authorized five new disaster programs, which cover a wide spectrum of commodities. These programs are all administered by FSA. The most well-known is the Supplemental Revenue Assistance Payments Program (SURE), which provides whole-farm, revenue-based assistance to crop producers in times of natural disasters. To be eligible for SURE, producers must have Federal crop insurance or NAP coverage on all economically significant crops and be located in a county included in the geographic area covered by a natural disaster designation issued by the USDA Secretary. The Secretarial disaster designation is not required if a farmer can prove a whole farm loss of more than 50 percent of normal. If a farmer qualifies, his or her payment is based on 60 percent of the difference between a calculated farm revenue guarantee and the farm's realized farm revenue (including government payments) in a given year.

As of October 4, 2011, payments for 2008 and 2009 crop losses total nearly \$2.8 billion to date. Texas (\$415 million) and North Dakota (\$374 million) are by far the largest recipient states. Overall, twenty-eight states have received over \$10 million each since the inception of SURE. Given the extent of natural disasters this year, we anticipate quite substantial SURE payments for 2011 losses as well, which will be made in 2013. This significant payment lag exists due to the calculation of actual farm revenue (a critical element in determining payment availability) specified in the farm bill. Farm revenue depends on season average prices reported by USDA's National Agricultural Statistics Service, which are usually released 13 months after the start of the crop year. It also depends on crop insurance indemnities and farm program payments, which are also not known until well after the time of the loss.

Per the 2008 farm bill, disasters occurring after September 30, 2011 are not covered by SURE. (Disasters occurring after September 30, 2011 also are not covered under LIP, LFP, ELAP, and TAP, which are discussed immediately below.) At the time of filing a 2011 or 2012 SURE application for payment, the producer is required to certify that the disaster occurred on or before

September 30, 2011. Crops are not required to be harvested on or before September 30, 2011, to maintain SURE eligibility. FSA will review the crop's planting and growing period, the asserted disaster event, and any other pertinent information that may be available to assess the validity of the producer's certification.

The 2008 Farm Bill also authorizes disaster assistance programs for livestock. These include the Livestock Indemnity Program (LIP), which provides assistance to producers who lose livestock due to adverse weather; the Livestock Forage Disaster Program (LFP), which compensates livestock producers for grazing losses due to drought and fire on Federally-managed lands; and the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), which provides funds for losses that are not covered by other disaster programs.

About \$121 million has been paid out under LIP as of October 4, 2011 for 2008-11 losses. LIP payments are very timely and allow producers to quickly rebuild herds and undertake other activities. Major LIP recipient states include South Dakota (\$32 million over the 4-year horizon) and North Dakota (\$21 million). Payments to ranchers in these two states have been particularly helpful in times of animal losses due to blizzards. Texas ranks third in terms of payments, at nearly \$10 million over the 4-year horizon.

The LFP has provided \$479 million to ranchers affected by 2008-11 drought events. LFP payments can typically be made within a few weeks of a county qualifying for assistance. Nearly 50 percent of all LFP payments made over the 4-year horizon have been paid to Texas (\$178 million) and Oklahoma (\$57 million) due to drought losses in 2011. An additional eight states have received more than \$10 million to date for 2008-11 losses.

ELAP provides assistance for those livestock losses that are not covered by LIP or LFP. Funding is limited by statute to \$50 million per calendar year. Of the \$30 million disbursed to date for 2008-11 losses, primary recipient states include Florida (\$4.6 million), South Dakota (\$4.4 million), and California (\$3.2 million). ELAP has provided substantial assistance to beekeepers whose bees have suffered from Colony Collapse Disorder.

The 2008 Farm Bill also authorized the Tree Assistance Program (TAP), which provides assistance for tree death losses. TAP payments for 2008-11 losses have totaled \$10.7 million, largely to Florida (\$5.1 million) and California (\$2.9 million) growers. As with the other 2008 Farm Bill programs discussed above, TAP does not cover losses due to disasters occurring after September 30, 2011.

### **Emergency Loans**

FSA also makes emergency disaster loans to help producers recover from production and physical losses due to drought, flooding, other natural disasters, or quarantine. Emergency loans are available to family farmers that suffered losses in a disaster area and cannot obtain commercial credit as a result. Loans may be used to refinance farm debt, repair or replace damaged or destroyed property, and pay other farm expenses. In fiscal year 2011, FSA provided \$32.6 million in emergency loan assistance to 298 farmers, primarily in Arkansas, North Carolina, and Virginia. FSA borrowers that operate in a disaster area may request a disaster set-

aside of the next FSA loan installment coming due. In fiscal year 2011, 256 FSA borrowers received a disaster set-aside of their loan installments.

### **Emergency Conservation Program**

The Emergency Conservation Program (ECP), also administered by FSA, offers emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. Congress has not appropriated funding for ECP since fiscal year 2008, but provided transfer authority in the 2009 Supplemental Appropriations Act (allowing FSA to transfer unobligated funds from previous appropriations for Hurricane Katrina, California wildfires, and other activities into ECP). Subject to availability of funds, locally-elected county FSA committees are authorized to implement ECP. ECP participants receive cost-share assistance of up to 75 percent of the cost to implement approved emergency conservation practices, such as removing debris; restoring fences and conservation structures, and providing water for livestock in drought situations.

County FSA committees determine land eligibility based on on-site inspections, taking into account the type and extent of damage. For land to be eligible, the natural disaster must create new conservation problems that, if untreated, would: impair or endanger the land; materially affect the land's productive capacity; represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and be so costly to repair that Federal assistance is (or will be) required to return the land to productive agricultural use. Conservation problems existing prior to the applicable disaster are ineligible for ECP assistance.

Since 1978, ECP has provided assistance to help between 2,000 and nearly 38,000 farms a year. This wide range in the number of farms served is due to the variation in appropriated amounts available and the considerable annual variation in the extent of natural disasters. Appropriated funds are allocated to states based on projected needs. Since actual usage may be less than the amount allocated to a state, unused funds are periodically reallocated to other states to meet new demands. FSA allocated over \$100 million in carryover funding to address a portion of the needs that have arisen in fiscal year 2011. This amount was allocated to 40 states, with Texas receiving nearly \$30 million (to help producers suffering from wildfire and hurricane losses) and Arkansas receiving nearly \$16 million (largely for flood and tornado damage).

### **Emergency Forest Restoration Program**

ECP works in concert with the Emergency Forest Restoration Program (EFRP), which was authorized by the Forestry Title of the 2008 Farm Bill. Also administered by FSA, this program addresses restoration of nonindustrial private forestland after a hurricane, tornado, or other natural disaster. EFRP participants may receive financial assistance of up to 75 percent of the cost to implement approved emergency forest restoration practices as determined by county FSA committees. Funding for EFRP is appropriated by Congress. In general, forestry practices are much more costly to implement than traditional practices under ECP.

Subject to the availability of funds, locally-elected FSA county committees are authorized to implement EFRP. These county committees determine land eligibility using on-site damage inspections that assess the type and extent of damage. To be eligible for EFRP, nonindustrial private forest land must: have existing tree cover (or had tree cover immediately before the natural disaster occurred and be suitable for growing trees), and be owned by any nonindustrial private individual, group, association, corporation, or other private legal entity that has definitive decision-making authority over the land. In addition, the natural disaster must have resulted in damage that, if untreated, would impair or endanger the natural resources on the land and materially affect future use of the land.

To restore eligible land, EFRP program participants may implement emergency forest restoration practices, including emergency measures that are necessary to repair damage caused by a natural disaster to natural resources on nonindustrial private forest land and restore forest health and forest-related resources on the land. Other emergency measures may be authorized by county FSA committees, with approval from state FSA committees and the FSA national office.

The Supplemental Appropriations Act of 2010 provided \$18 million in EFRP funding for losses resulting from natural disasters that occurred on or after January 1, 2010. As of September 30, 2011, over \$15 million in funding had been allocated to Alabama, Arkansas, Georgia, Idaho, Minnesota, Mississippi, New Hampshire, Ohio, and Vermont, largely to fund restoration practices associated with tornado-related losses. FSA maintains a reserve of \$1 million for errors, omissions, and appeals and has allocated \$1.8 million for technical assistance provided by the Forest Service.

### **Emergency Watershed Protection Program**

The Emergency Watershed Protection Program (EWP), administered by USDA's Natural Resources Conservation Service, was established to respond to emergencies created by natural disasters. EWP helps conserve natural resources by relieving imminent hazards to life and property caused by floods, fires, drought, windstorms, and other natural occurrences. Although EWP and ECP have similar goals, generally, ECP contracts are developed with the landowner while EWP requires contracting with an outside sponsor. Under EWP, USDA works with States, counties, or other local sponsors to provide financial assistance to address problems caused by natural disasters. Sponsors must provide a share of the resources to support the project. A national emergency declaration is not required for an area to be eligible for assistance.

NRCS may bear up to 75 percent of the construction cost of emergency measures or up to 90 percent in limited resource areas. The remaining cost-share must come from local sources and can be in the form of cash or in-kind services. Examples of conditions qualifying for assistance include: debris-clogged stream channels; undermined and unstable streambanks; jeopardized water control structures and public infrastructures; wind-borne debris removal; and damaged upland sites stripped of protective vegetation by fire or drought.

Both public and private landowners are eligible for assistance but must be represented by a project sponsor. All emergency projects must be sponsored by a legal subdivision of the States with authority of eminent domain. This includes any city, county, general improvement

district, or Native American tribe or tribal organization as defined in Section 4 of the Indian Self-Determination and Education Assistance Act.

Project applications for EWP are placed in one of two categories. Category 1 projects are exigent situations where the natural disaster is posing an imminent or immediate threat to life and property. Category 2 projects are non-exigent cases—while the situation may be an emergency, there is no immediate threat of loss of life and property. Category 1 applications are funded first.

The program can also be used to purchase floodplain easements which do not require a project sponsor for participation. Landowners may voluntarily offer to sell a permanent conservation easement that provides the NRCS with the full authority to restore and enhance a floodplain's functions and values. NRCS provides an easement payment and 100 percent of the restoration costs on any floodplain lands that have been damaged by flooding at least once within the previous calendar year or that have a history of repeated flooding.

In 2011, NRCS has provided \$90.7 million in EWP funds to address a wide array of natural disasters ranging from drought and fires in the southern and western states, to tornados, to flooding caused by ice packs or extensive snow pack, to the most recent flooding caused by Hurricane Irene. For the spring flooding in the Midwest, NRCS provided \$29.5 million in assistance. For flooding caused by Hurricane Irene, NRCS has provided \$4.8 million in assistance.

### **Other USDA Programs**

USDA also provides food and housing assistance to those in need. Through the Food and Nutrition Service (FNS), we can supply food to disaster relief organizations such as the Red Cross and the Salvation Army for mass feeding or household distribution. In certain, limited situations, USDA can provide food to State agencies for distribution directly to households. FNS also authorizes States to operate a Disaster Supplemental Nutrition Assistance Program (D-SNAP). Through D-SNAP, FNS is able to quickly offer short-term food assistance benefits to families suffering in the wake of a disaster. Eligible households receive one month of benefits, equivalent to the maximum amount of benefits normally issued to a SNAP household of their size. This spring, FNS provided over \$150 million in D-SNAP benefits to help more than 1.1 million individuals in 471,581 households in 11 States and 220 counties in response to the devastating spring 2011 storms, tornadoes and floods. In response to the extended power outages and flooding caused by Hurricane Irene and Tropical Storm Lee, and the wildfires in Texas, preliminary reports show that FNS has provided over \$47 million in D-SNAP benefits to almost half a million people in over 225,000 households to help disaster survivors in 6 States and 109 counties. In addition, through the disaster household food distribution program, FNS has provided over 50,000 food boxes to more than 16,615 families in 13 municipalities in Puerto Rico.

USDA's Rural Development (RD) can also help rebuild communities affected by a disaster and provide relief to existing RD borrowers through payment waivers. The Rural Housing Repair and Rehabilitation Program (Section 504) can provide a loan to repair damaged homes for rural

families living at or below 50 percent of the area median income for their county. The Rural Rental Housing Program may be able to relocate families displaced by natural disaster into Rural Development financed housing projects. Finally, the Community and Business Program areas have several loans that could be used to repair and rehabilitate community infrastructure and affected businesses. Schools, hospitals, water and wastewater systems, and privately owned businesses – among others – may be eligible for funding.

Madam Chairwoman, Ranking Member and Members of the Subcommittee, thank you again for the opportunity to share with you information on USDA's programs available to those affected by disasters. We are happy to answer any questions that you might have.