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Overview of Farm Safety Net Programs

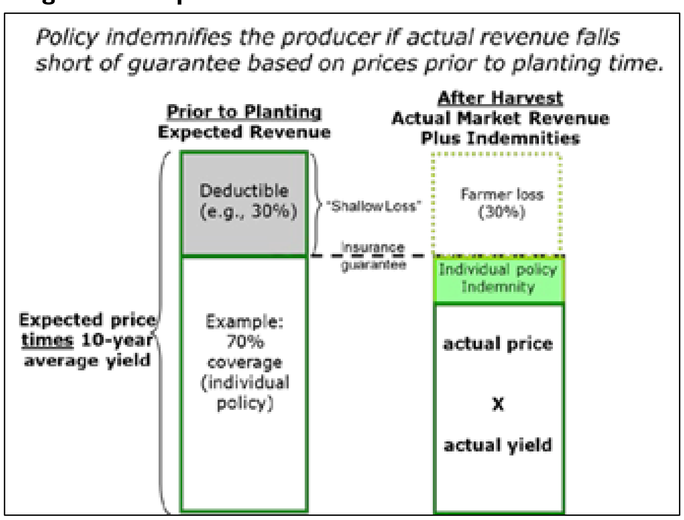
The federal "farm safety net" provides risk protection and financial support to U.S. farmers. The three components are the permanently authorized federal crop insurance program, farm commodity programs (crop years 2014-2018), and permanently authorized agricultural disaster programs. The 2014 farm bill (the Agricultural Act of 2014; P.L. 113-79) enhanced crop insurance, revised commodity programs, and retroactively authorized four disaster programs beginning in FY2012. During the next 10 years, the combined federal cost of the farm safety net is expected to average about $13.5 billion per year, based on estimates from the Congressional Budget Office. The U.S. Department of Agriculture (USDA) administers the programs. See **Table 1** for details and a list of CRS reports.

The **federal crop insurance program** is considered by many farmers and policymakers as the centerpiece of the farm safety net. The program makes available subsidized insurance for about 130 commodities ranging from apples to wheat. When purchased, these "multiple peril" policies help producers manage financial risks associated with a loss in yield or crop revenue (**Figure 1**). Insurable causes of losses include adverse weather (e.g., drought and flood) and insects or disease outbreaks. The average premium subsidy is 62%, and projected federal cost is $8.8 billion per year.

Farm commodity programs provide price and income support for a much narrower list of "covered" and "loan" commodities such as corn, soybeans, wheat, rice, and peanuts. Payments are made when the actual crop price drops below a statutory minimum or when revenue is below a guarantee based on prices and yields during the most recent five years (**Figure 2** and **Table 1**). Participation is free. Projected program costs are just over $4 billion per year. Dairy and sugar producers have separate programs.

Agricultural disaster programs cover livestock producers and tree fruit producers, who generally do not benefit from crop insurance and/or commodity programs. These programs make payments for (1) livestock deaths in excess of normal mortality, (2) forage losses related to drought, (3) other losses for producers of livestock, honey bees, and farm-raised fish, and (4) losses in trees/bushes/vines from which an annual crop is produced. Participation is free. Projected program costs are about $500 million per year. No disaster designation is needed.

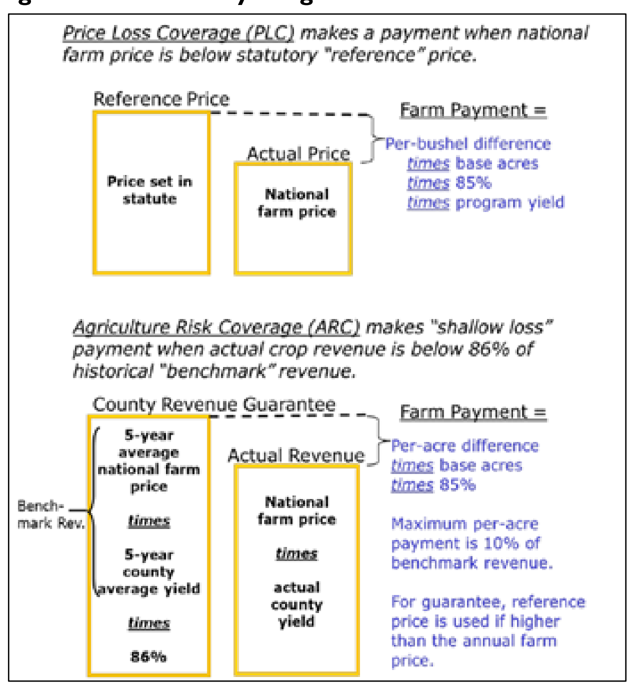
Figure 1. Crop Insurance Illustration



Source: CRS.

Note: Where available and if purchased, the Supplemental Coverage Option (SCO) policy covers up to 16 percentage points of the deductible when triggered by a county loss. Policy applies to planted (not historical) acreage.

Figure 2. Commodity Program Illustration



Source: CRS.

Notes: Producers select either PLC or county-level ARC for each covered crop, or individual ARC, which uses a single farm-level revenue guarantee for all crops. Base acres and program yield are based on historical plantings for each farm. Averages in benchmark exclude high and low years.

Table 1. Farm Safety Net Programs

Program/Instrument	Commodity Coverage	Program Description	Producer Cost/Federal Outlays
Federal Crop Insurance *(Risk Management Agency)* **& Noninsured Crop Disaster Assistance Program (NAP)** *(Farm Service Agency)*			
Crop insurance policies	More than 100 crops, including commodity program crops (see below), specialty crops (fruits, tree nuts, vegetables, nursery crops), pasture, rangeland, and forage crops, and livestock margins.	Indemnities triggered when actual yield or revenue falls short of the guarantee set at 50% - 85% of expected level (as selected by producer) and established at prices prior to planting. Loss is at field or county level, depending on policy.	Premium depends on deductible selected by producer and other factors. Producer pays a portion of premium (38% on avg.) and no delivery cost. Projected federal cost is $8.8 bil./yr. for premium subsidy, program losses, and admin. costs.
Noninsured Crop Disaster Assistance Program (NAP)	Available for crops not currently eligible for crop insurance.	Payments for losses in excess of 50%. Additional coverage is available for purchase.	Participation fee of $250 per crop plus a charge for more coverage. Federal cost of $165 mil. in FY2014.
Commodity Programs *(Farm Service Agency)*			
Price Loss Coverage (PLC) ***or*** ***Agriculture Risk Coverage (ARC)***	Wheat, corn, grain sorghum, oats, barley, long grain rice, medium grain rice, pulse crops (dry peas, lentils, small chickpeas, and large chickpeas), soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, and peanuts. Excludes upland cotton.	Payments made if actual price is below statutory reference price (PLC) or actual revenue is below guarantee based on 86% of historical revenue (ARC). Producers select either PLC or county-level ARC for each crop; or, individual ARC, which covers all crops with a single farm-level revenue guarantee.	No participation fee. Projected annual federal cost for the combined PLC/ARC is about $4.3 bil./yr.
Marketing Assistance Loans (MAL)	Same crops as for PLC/ARC plus upland cotton, extra long staple cotton, wool, mohair, and honey.	Loan deficiency payments (LDP) (or marketing loan gains) when actual price is below statutory loan rate. Loans provide interim financing.	No participation fee. Projected annual federal cost is about $250 mil./yr.
Nonrecourse sugar loans and marketing allotments	Refined beet sugar and raw cane sugar.	Minimum price guarantee; limits on sales of domestic sugar.	No participation fee. Generally, no net federal cost but outlays were $259 mil. for the 2012 crop.
Margin Protection Program (MPP) and Dairy Product Donation Program (DPDP)	Milk.	Payments made if actual 2-mo. avg. margin (milk price minus feed cost) is below producer-selected threshold. USDA purchases dairy products for donation when margin is low.	$100 fee plus statutorily-fixed premium for coverage selected by producer. Projected annual federal cost for both programs is about $100 mil./yr.
Disaster Assistance *(Farm Service Agency)*			
Supplemental Agricultural Disaster Assistance Programs (does not require disaster designation)	Beef/dairy cattle, bison, poultry, sheep, swine, horses, other livestock, honeybees, farm-raised fish, and trees/bushes/vines producing an annual crop.	Payment for excess livestock mortality (LIP), grazing losses (LFP), other losses (ELAP), and excess fruit tree/vine mortality (TAP). See note for program names.	No participation fee. Projected annual federal cost is about $530 mil./yr.
Emergency Loans (EM) (requires disaster designation)	Crops and livestock (also physical losses to real estate).	Low-interest loans for producers in a disaster county and not eligible for commercial credit.	Producers repay interest/principal in 1 to 7 years (longer for real estate). Federal cost is about $2 mil./yr.

Source: CRS reports: R43758 (farm safety net), R43448 (commodity programs), R40532 and R43494 (crop insurance), RS21212 (disaster assistance).

Notes: Federal crop insurance, NAP, and disaster assistance are permanently authorized, but not commodity programs (crop years 2014-2018 and through December 31, 2018, for dairy). Except where noted, the federal cost is the average annual cost for FY2015- 2024 projected by the Congressional Budget Office. Additional support is provided through import restrictions and federal milk marketing orders for dairy (CRS Report R43465) and import restrictions for sugar (CRS Report R43998). The four disaster programs are Livestock Indemnity Payments (LIP); the Livestock Forage Disaster Program (LFP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and the Tree Assistance Program (TAP). Emergency agricultural land assistance programs also are available for producers following natural disasters; see CRS Report R42854.

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