Timely Information
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Disaster Assistance Update
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Some information has been released about the recently passed Agriculture Assistance Act of 2003. While the bill provides much discretionary authority to the Secretary in implementing the provisions of the Act, House Agriculture Committee staff believes that it will ultimately be administered as the 2000 disaster act was. If so, producers who had purchased crop insurance (including CAT) in 2002 can choose between their program yield or county yields in determining loss eligibility. The disaster payment rate is 50% for purchasers of crop insurance and 45% for those who did not purchase crop insurance.

The following is a basic example of how we assume the assistance will be implemented. The assistance will be treated as an entitlement (no pro-ration), and a separate $80,000 per person payment limitation will apply and the "benefit cap" is such that the disaster payment + FCIC crop insurance indemnities + actual crop value cannot exceed 95% of the crop value if no loss had occurred. Growers can choose either 2001 or 2002 to qualify but not both. Assistance is only provided on losses in excess of 35%. However, the $50 million of cottonseed assistance also contained in the act is based on 2002 crop only. Preliminary estimates place this assistance at about $3 per bale.

Example:

Assumptions: 700 lb APH (or county average)
100 lbs. harvested yield
52 cent loan or strike price

Formula: 700 x 65% = 455 lbs - loss threshold.
100 lbs - harvested yield
355 lbs - covered yield loss
x 52 cents
$184.60
x 50% - payment rate with crop insurance coverage
$ 92.30

Benefit Cap: 700 x 52 cent loan = $364.00
x 95%
$345.80 cap
less actual harvest: 52.00 (100 lbs x 52 cent loan or crop value*)
and 160.25 (crop insurance proceeds)
$133.55
(*uncertain if you can use actual proceeds at this time)

In this example, the grower would be under the benefit cap and would receive the full $92.30 per acre.