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Report to Congressional Requesters

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EMERGENCY ASSISTANCE

Operation of USDA's Livestock Feed Programs

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General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

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March 6, 1987

The Honorable Tom Daschle
United States Senate

The Honorable Byron Dorgan
The Honorable Richard Stallings
The Honorable Pat Williams
House of Representatives

In response to your letter of June 9, 1986, and subsequent discussions with your offices, we reviewed certain aspects of the emergency livestock feed assistance programs administered by the U.S. Department of Agriculture (USDA). USDA operates feed assistance programs to help livestock producers preserve and maintain livestock in times of natural disaster. Collectively, the programs have offered producers (1) cash for purchasing and transporting livestock feeds, (2) cash for transporting livestock to grazing areas, and (3) feeds at reduced cost, or at no cost, from commodity stocks owned by the Commodity Credit Corporation (CCC). Of the seven emergency livestock feed assistance programs that have been operated by USDA, only three have been used since 1977—the Emergency Feed Assistance Program (EFAP), the Emergency Feed Program (EFP), and the Herd Preservation Feed Grain Donation Program. Our report focuses on the first two: EFAP and EFP.

In our review, we addressed the following questions.

- Was the Emergency Feed Assistance Program effective in providing a timely response to emergency conditions in Idaho, Montana, North Dakota, and South Dakota during 1985 and early 1986?
- What are the comparative benefits of the Emergency Feed Assistance Program and the Emergency Feed Program?
- What rationale does USDA use in selecting specific emergency program(s) to respond to particular disaster conditions?

We also reviewed proposed legislation you introduced in the 99th Congress (the Emergency Livestock Feed Assistance Act of 1986, H R. 4455, 99th Cong) The legislation, which expired without action at the end of the 99th Congress, proposed to consolidate and improve the various emergency livestock feed programs

In summary, we found:

- EFAP provided about 4.8 million bushels of grain to about 3,400 producers in the four northern plains states during fiscal year 1986. However, more grain could have been used and more assistance provided had the program been changed earlier to make a greater variety of feed grains available closer to the producers in the disaster counties. In accordance with the Food Security Act of 1985, USDA modified EFAP and provided more grains closer to the disaster areas. By that time, the producers' need for the assistance had diminished.
- EFAP provides grains from CCC-owned inventories, whereas EFP provides cost reimbursement for feed purchased on the commercial market. The relative advantage of each program to both the producers and the government varies depending on the specific disaster circumstances.
- USDA considers a number of factors before selecting the program or programs in response to disaster emergencies The factors include the severity of the disaster and the cost of each program The program(s) implemented are largely the result of USDA's subjective consideration of the various factors.

The proposed legislation would have improved disaster assistance to livestock producers because it would have provided the Secretary with more authority to better tailor assistance to each disaster condition

EFAP's Effectiveness Initially Limited; Revisions Improved Program

By late October 1985, the Secretary of Agriculture had designated all or parts of the northern plains states of Idaho, Montana, North Dakota, and South Dakota as disaster areas due to a widespread drought As a result of this designation, livestock producers in the affected counties were eligible to purchase CCC-owned grain under the Emergency Feed Assistance Program. Under the program, USDA makes the grain available at a price equal to 75 percent of the local price-support loan rate.[1]

As EFAP was initially designed, relatively few livestock producers took advantage of its benefits, largely because (1) the specific feed grains made available were not located near the areas of greatest need and (2) the cost to transport the grains, for which the producers were responsible, eliminated any benefit from purchasing CCC-owned grain at the established price. For these reasons, few producers used the program

[1]The loan rate is the dollars per bushel or hundredweight at which USDA makes price-support loans to producers These loans provide producers the opportunity to obtain a certain return on their production regardless of fluctuations in market prices

However, in January 1986, in accordance with provisions of the Food Security Act of 1985 (Public Law 99-198, Dec. 23, 1985), USDA significantly expanded the benefits, making grains available in locations closer to livestock operators. USDA also made more grains available. After these revisions, EFAP applications increased about sixfold. Over 3,000 producers were approved for benefits, compared with 369 before the program revisions. Similarly, participating producers received about 4.4 million bushels of grain after the program revisions, compared with about 400,000 bushels before the revision However, had the revisions been made earlier, more grain could have been used and more assistance could have been provided. By the time USDA moved ample grains into the disaster counties, the period of intensive livestock feeding was ending and producers were beginning to graze their animals.

Appendix II presents a more detailed discussion of this issue.

Comparison of EFP and EFAP

Although EFP and EFAP have similar objectives, differences exist regarding the conditions under which they are available, the benefits they provide to livestock producers, and their relative cost to USDA. As previously noted, under EFAP, USDA provides CCC-owned grains to producers at prescribed prices In contrast, under EFP, USDA reimburses eligible livestock producers for up to 50 percent of the cost of feeds that they purchase from commercial sources

The dollar value of the assistance EFP and EFAP provide depends on the prices of available livestock feeds from commercial sources and the local USDA loan rate for each commodity. For example, during the fall of 1985, 75 percent of a Montana county's loan rate for barley was about equal to the local market price, according to a USDA state official. In this case, reimbursing the producer for 50 percent of the cost of barley purchased commercially would have provided a greater financial benefit.

In brief, other important differences between EFP and EFAP are.

- Under EFAP, the feeds available to livestock producers are limited to the grains in CCC-owned inventory, primarily corn, grain sorghum, barley, oats, and wheat In contrast, EFP allows the producer to purchase and obtain partial reimbursement for any available feed that best suits the livestock operation, including mixed feeds, liquid supplements, and/or hay

- EFP provides assistance to producers for all their eligible livestock. ("Eligible livestock" refers to the livestock owned by a producer for a specified period of time.) EFAP, on the other hand, provides assistance only for "foundation" herds, those animals that are the producers' primary breeding stock and offspring.
- EFP can provide more timely assistance as long as feeds are commercially available, because producers purchase the feed on the commercial market. Under EFAP, as currently administered by USDA, if CCC-owned grain is not located in or near the disaster counties, USDA may need time to arrange transportation and storage at commercial grain facilities in order to move the necessary commodities into the area
- USDA limits EFAP benefits to disaster emergencies caused by drought or excessive moisture. In contrast, EFP covers a wider range of emergency conditions, including flood, drought, fire, hurricane, earthquake, storm, and other natural disasters.

Because of these differences, one program may provide superior benefits in a particular emergency. However, one program is not superior to the other in all situations.

Appendix III discusses this issue in more detail.

USDA's Rationale in Selecting Emergency Feed Assistance

USDA considers a number of factors when deciding how to assist livestock operators who have been adversely affected by natural disasters. However, conditions surrounding each emergency differ, and these differences contribute to USDA's program response, according to the Deputy Under Secretary for International Affairs and Commodity Programs. USDA's response to disaster emergencies depends on the Secretary's subjective consideration of these factors. USDA does not document the extent to which each factor is considered.

When deciding on the appropriate response to a given disaster emergency, USDA considers the severity of the disaster, according to the Deputy Under Secretary and other USDA headquarters officials. This consideration includes the amount of territory affected, the estimated dollar loss, the number of people affected, the loss of agricultural income, the number and type of livestock affected, the percentage of feed grown in the affected area, and the quantity of feed readily available for use. USDA also considers other factors such as the weather conditions and the projected duration of the disaster conditions, historical precedent, the cost of each type of assistance, and congressional opinion as to the most appropriate assistance, according to the officials.

Because USDA may subjectively judge one or more of these factors as more important in a given disaster emergency, its response to apparently similar emergencies may differ. For example, during fiscal year 1986, USDA responded differently to severe drought situations in the northern plains and in the southeastern United States USDA provided more assistance to the Southeast because in its judgment, the southeastern drought was worse than the drought in the northern plains, according to the Deputy Under Secretary

Appendix IV discusses this question in more detail

Proposed Legislation Would Have Improved Livestock Feed Assistance

The proposed Emergency Livestock Feed Assistance Act of 1986 (H.R. 4455, 99th Cong.) would have placed the seven existing emergency livestock feed assistance programs under the authority of the Secretary of Agriculture and established standard eligibility requirements. Currently, some programs cannot be implemented without a presidential declaration of disaster, while others need only a secretarial declaration. Also, USDA currently cannot implement two of the programs without approval of the Federal Emergency Management Agency.

Overall, we believe this proposed legislation would have improved disaster emergency livestock feed assistance In particular, the legislation would have provided the Secretary with more discretionary authority to provide assistance that is better tailored to each emergency situation. However, we suggest a number of changes for your consideration if similar legislation is to be introduced in the 100th Congress. For the most part, the changes suggest clarifying or adding alternative language that would help to better accomplish the bill's objectives.

Appendix V provides detailed comments on the proposed legislation.

To respond to your questions, we obtained program participation and inventory data, interviewed officials of USDA's Kansas City office responsible for providing commodities for emergency feed programs, and interviewed USDA state officials in Idaho, Montana, North Dakota, and South Dakota, to ascertain the effectiveness of assistance provided. We reviewed authorizing legislation, regulations, and administrative handbooks for EFP and EFAP to compare program advantages and disadvantages. In USDA's Washington, D.C., headquarters, we interviewed officials responsible for making decisions about USDA's provision of livestock feed assistance programs in emergency situations. We studied selected provisions of the proposed legislation and discussed them with USDA headquarters and state officials A detailed explanation of our review's scope and methodology is included in appendix I.

We obtained USDA comments on this report. USDA suggested some technical corrections, which we incorporated in the appendixes where appropriate.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Agriculture; various Senate and House Committees; Members of Congress; and other interested parties. Copies will be provided to others on request.

This work was performed under my general direction. If you have any questions, please call me on (202) 275-5138.

Major contributors are listed in appendix VII

Sincerely yours,

Brian P. Crowley
Senior Associate Director

Contents

Abbreviations

CCC	Commodity Credit Corporation
DASCO	Deputy Administrator for State and County Operations
EFAP	Emergency Feed Assistance Program
EFP	Emergency Feed Program
FmHA	Farmers Home Administration
GAO	General Accounting Office
RCED	Resources, Community, and Economic Development Division (GAO)
USDA	U S Department of Agriculture

USDA Emergency Livestock Feed Programs

The U.S. Department of Agriculture (USDA) operates programs to help livestock producers preserve and maintain livestock in times of natural disaster. During the past decade, seven distinct programs have been available to respond to disaster emergencies Collectively, the programs have offered producers (1) cash for purchasing and transporting livestock feeds, (2) cash for transporting livestock to grazing areas, and (3) feeds at reduced cost, or at no cost, from commodity stocks owned by the Commodity Credit Corporation (CCC). The specific programs used in particular disaster emergencies have varied.

Background

Of the seven emergency livestock feed assistance programs, only three have been used since 1977—the Emergency Feed Assistance Program (EFAP), the Emergency Feed Program (EFP), and the Herd Preservation Feed Grain Donation Program.[1] We limited our review to EFAP and EFP, both of which were used in fiscal year 1986.

Emergency Feed Assistance Program

Under EFAP, USDA makes CCC-owned grains (corn, grain sorghum, barley, oats, and wheat)[2] available to livestock producers for their foundation herds (primary breeding stock) at a price equal to 75 percent of the current basic county loan rate.[3] The quantity of CCC-owned grain a producer can purchase is calculated on the basis of the producer's total feed loss, total feed on hand, and total foundation-herd livestock and poultry to be fed From EFAP's inception in 1983 through September 30, 1985, about 30 million bushels of CCC-owned grain were allocated under the program. In fiscal year 1986, about 7 million bushels were allocated

The program began in late 1983, in part due to the drought then affecting much of the country. Section 303 of the Dairy and Tobacco Adjustment Act of 1983 (97 Stat. 1151) mandated the Secretary of Agriculture to make lower grade corn held by CCC available for sale to eligible farmers and ranchers in areas that had been adversely affected by

[1]The other four are the Livestock Feed, Cash Feed Grain Donation, Hay Transportation Assistance, and Cattle Transportation Assistance programs, which were last used in 1976 However, the hay and cattle transportation programs were temporary measures put into effect because USDA lacked adequate supplies of CCC-owned livestock feed inventories in mid-1976

[2]Although wheat can be a feed grain, it is not normally used by producers because it must first be processed and then can be fed to livestock only under controlled conditions

[3]The basic county loan rate is the dollar amount per bushel or hundredweight at which USDA makes price-support loans to producers Price-support loans are made to producers to help assure that the producers obtain a certain return on their production regardless of fluctuations in market prices For example, the basic loan rate for corn in Meade County, South Dakota, was $2 43 per bushel in 1985

the drought, hot weather, or related disaster, to help preserve and maintain their foundation herds of livestock and poultry.[4] The act required the Secretary to make the corn available for sale through either September 30, 1984, or the date on which any emergency created by the drought, hot weather, or related disaster no longer existed.

The 1983 act mandated EFAP only for the specific disaster existing at that time. However, USDA extended and expanded the program under the Secretary's authority provided by the Agricultural Act of 1949. Section 407 of the 1949 act, as amended (7 U S C 1427), authorizes the Secretary of Agriculture to make feed owned or controlled by CCC available in emergencies at any price not less than 75 percent of the current basic county loan rate, for assistance in preserving and maintaining foundation herds of cattle, sheep, and goats, and their offspring Emergencies include those caused by flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe

In July 1984, USDA used the broader authority of the 1949 act to authorize EFAP not only for drought conditions but for excess moisture conditions also In November 1984, USDA expanded EFAP assistance to include lower grade grain sorghum, oats, barley, and wheat owned by CCC, in addition to corn In January 1986, USDA modified EFAP to provide for the use of all grades of CCC-owned grains, rather than just the lower grades.

The 1949 act authorized CCC to incur the costs of transporting and handling to designated central locations the commodities made available for emergency programs. But USDA, in originally designing EFAP, decided not to transport grains to disaster counties; rather, the grains would be made available wherever they were stored, and participating producers would pay to transport the grain to their farms However, the Food Security Act of 1985 (Public Law 99-198, Dec 23, 1985) amended section 407 to require CCC to bear any expenses, including transportation and handling costs, incurred in connection with making feed available in disaster counties

[4]Corn (as well as other grains) is graded by USDA for marketing purposes The grade depends on the condition of the kernels, the amount of foreign matter present, and other factors The highest grade for corn is grade 1, the lowest are grades 4, 5, and "sample" grade

Emergency Feed Program

Under EFP, USDA shares the cost of purchasing certain feeds with eligible livestock producers affected by disaster emergency conditions. The producers purchase feed grains, hay, or other eligible feeds on the commercial market. USDA then reimburses them for up to 50 percent of the cost of feed purchased. (In some cases, USDA's cost share is less than 50 percent because there is a maximum reimbursement of 5 cents per pound of feed grain equivalent. Feed grain equivalent relates the nutritive value of various livestock feeds to the nutritive value of grain sorghum.) The total cost of eligible feed purchases USDA will share with a producer is calculated on the basis of the producer's total feed loss, total feed on hand, and total eligible livestock and poultry to be fed.

EFP was USDA's primary emergency livestock feed assistance program from its 1977 inception until April 1982, when the Secretary of Agriculture announced USDA's intention to suspend it During fiscal years 1978-82, federal outlays for this program amounted to about $600 million, with over half of that occurring in fiscal year 1981.

The legislative authority for EFP is the Food and Agriculture Act of 1977 (Public Law 95-113, Sept. 29, 1977). Section 1105 of this act, as amended (7 U.S.C. 2267), authorized the Secretary of Agriculture to implement an emergency feed program for assistance in the preservation and maintenance of livestock and poultry because of flood, drought, fire, hurricane, earthquake, storm, or other natural disaster. USDA subsequently published regulations implementing the program.

However, in August 1982, USDA suspended acceptance of applications for assistance under EFP in a final rule published in the Federal Register. The cited reason was that the need to reduce federal spending outweighed the need for assistance to livestock producers. However, USDA provided for the program's renewal should USDA determine that an appropriate emergency situation existed.

In August 1986, the Secretary implemented EFP as part of USDA's overall assistance to the drought-stricken southeastern states. However, USDA's current cost-share payments are in the form of commodity certificates rather than cash, which was used during fiscal years 1978-82. The commodity certificates are negotiable documents backed by CCC-owned commodity inventories. Producers can use the certificates to settle their price-support loans or sell the certificates for cash to USDA or third parties such as grain companies. The third parties can use the certificates to purchase CCC-owned commodities. As of September 30, 1986, USDA had made cost-share payments totaling about $2.1 million.

Herd Preservation Feed Grain Donation Program

Under this program, USDA donates CCC-owned feed grains to livestock producers whose resources have been so damaged by natural disaster that they are incapable of purchasing livestock feed at market prices. Unlike EFAP and EFP, this program cannot be implemented unless an affected county or area is declared to be a disaster area by the President. Once this declaration is made, the Secretary is authorized to implement the program; in practice, however, the Secretary has usually waited to be directed to do so by the Federal Emergency Management Agency, which is responsible for coordinating disaster relief programs

The donation program was last used in November 1985 to assist flood victims in West Virginia. About 149,000 bushels of corn were shipped to the state for donation under the program. Before the West Virginia disaster, the program was last used to assist flood victims in Louisiana in 1983.

Objectives, Scope, and Methodology

We performed this review in response to a June 9, 1986, letter from Representatives Tom Daschle, Byron Dorgan, Richard Stallings, and Pat Williams. Our objectives were to answer the following questions·

- Was the Emergency Feed Assistance Program effective in providing a timely response to emergency conditions in Idaho, Montana, North Dakota, and South Dakota during 1985 and early 1986?
- What are the comparative benefits of the Emergency Feed Assistance Program and the Emergency Feed Program?
- What rationale does USDA use in selecting specific emergency program(s) to respond to particular disaster conditions?

In addition, we were asked to comment on proposed legislation (H.R 4455, 99th Cong.) for consolidating and improving the various emergency livestock feed programs.

To answer the first question, we visited officials at USDA state offices in Montana, North Dakota, and South Dakota to discuss the fiscal year 1986 emergency and USDA's actions to assist livestock producers We did not visit Idaho because of its relatively few program participants but, as stated below, included Idaho in our program data analysis (Of the 7 million bushels of grain allocated for EFAP in fiscal year 1986, about 4 8 million bushels were allocated in these four states.) We also interviewed officials at USDA's headquarters in Washington, D.C Further, we reviewed correspondence files at each state office we visited and at USDA headquarters to obtain reactions from producers, livestock associations, state agricultural officials, and others regarding the effectiveness of the feed assistance provided.

Also in answering the first question, we obtained program participation data from USDA headquarters and the four state offices, obtained and analyzed information on the quantities of feed grains requested and made available in the four states, and interviewed officials at USDA's Kansas City Commodity Office to obtain information on delivery of grains. We also interviewed two experts on livestock feed issues—Professor Bob Harrold of North Dakota State University and Professor John Brethour of Kansas State University—to ascertain their views on using wheat as a feed grain for livestock.

To answer the second question, we reviewed each program's authorizing legislation, implementing regulations, and USDA handbooks. We used this information to identify a number of factors that are important to assisting livestock producers in emergency conditions; we then used these factors to compare EFP and EFAP We also interviewed USDA headquarters and state office officials to obtain their views on the comparative benefits of each program.

To answer the third question, we interviewed USDA headquarters officials responsible for making decisions about livestock feed assistance in disaster emergencies. For example, we interviewed the Deputy Under Secretary for International Affairs and Commodity Programs, to identify the criteria USDA (1) uses in deciding how to respond to disaster emergency conditions in general and (2) used in deciding its response to the 1985-86 drought emergency in the northern plains states and the 1986 drought emergency in the southeastern states.

Our comments on the proposed legislation are based on the work we did in answering the three questions. In addition, we discussed the draft legislation with USDA headquarters and state office officials.

We made our review between June and October 1986 and in accordance with generally accepted government auditing standards, except for testing the reliability of agency reports used for analyzing program participation and grain usage. We obtained comments from USDA and have incorporated the comments where appropriate.

EFAP's Initial Assistance Was Limited, but Assistance Improved After Program Revisions

By late October 1985, all or parts of the northern plains states of Idaho, Montana, North Dakota, and South Dakota had been designated by the Secretary of Agriculture as disaster areas because of a widespread drought As a result of this designation, livestock producers in the affected counties were eligible to purchase CCC-owned grain under the Emergency Feed Assistance Program.

EFAP's effectiveness in responding to the disaster conditions in these states must be evaluated in two phases. As EFAP was initially implemented, its benefits attracted relatively few livestock producers, therefore, the program was not effective because it did not provide assistance to as many producers as it could have. However, in January 1986, USDA significantly expanded the benefits, making a greater variety of feed grains available These grains were also available in locations closer to livestock operators. After these changes, EFAP applications increased about sixfold and the program was more effective, i.e , more producers received benefits In total, about 3,400 producers received about 4 8 million bushels of grain. However, had the benefit changes occurred earlier, more grain could have been used and more assistance could have been provided. By the time USDA moved ample grains into the disaster counties, the winter period of intensive livestock feeding was ending and producers were beginning to graze their animals

Drought in Northern Plains States

Livestock producers in the northern plains depend largely on grazing, supplemented with hay and feed grains during the winter, to feed their animals. The northern plains disaster emergency began with the severe cold and dry winter of 1984-85 and continued with a hot, dry summer in 1985, according to USDA officials and to correspondence from producers and others. They said that, as a result, grazing pastures were depleted before the onset of the 1985-86 winter, hay crops were practically nonexistent, and livestock producers had little or no hay on hand to carry them through the winter. Compounding the lack of grazing pastures and hay crops caused by the drought, snowfall began in early November—about a month earlier than normal—and completely covered the little remaining grazing pasture The winter was one of the earliest and most severe on record

Because of the drought, many producers were forced to sell livestock to conserve available feed USDA officials in Montana estimated that, in parts of the state, the number of livestock declined up to 65 percent below normal State agricultural officials from Montana, Idaho, Nebraska, North Dakota, South Dakota, and Wyoming reported that about 4 3 million head of cattle had been affected by the drought and that significant numbers of cattle might have to be marketed under depressed market conditions.

The affected states requested that counties within their borders be designated as disaster emergency areas. By the end of October 1985, all of Montana (56 counties), the western portions of North Dakota (26 counties) and South Dakota (38 counties), and parts of Idaho (15 counties) had been so designated by the Secretary of Agriculture and were approved for EFAP benefits.

EFAP Attracted Little Participation as Initially Implemented

Under EFAP, eligible livestock producers can purchase CCC-owned grains at 75 percent of the current basic county loan rate. However, as the program was administered by USDA in the fall of 1985, only the lower grades (grades 4, 5, and sample grade) of grains were made available for EFAP. Also, the grain was made available only from the place where it was stored, regardless of distance from the disaster counties. The livestock producers were responsible for any transportation expenses incurred in delivering the grain to their farms.

Despite the disaster conditions, EFAP did not attract significant numbers of livestock producers in Montana, the Dakotas, or Idaho. By the end of December 1985, fewer than 600 livestock producers had applied for EFAP benefits (compared with over 3,500 that applied after the program changes), and less than 10 percent of the available grain had been allocated to producers (about 375,000 out of about 4.2 million bushels). In Montana, 398 producers had applied for assistance; in North Dakota, 17; in South Dakota, 157; and in Idaho, 25 Table II.1 shows EFAP commodities available and allocated to approved producers in the four states as of the end of December 1985.

Table II.1: EFAP Commodities Available and Allocated as of December 1985

Number of bushels

		State				
Commodity	**Status**	**Montana**	**North Dakota**	**South Dakota**	**Idaho**	**Total**
Corn	Available	•	182,688	120,359	•	**303,047**
	Allocated	•	62,940	37,010	•	**99,950**
Grain sorghum	Available	•	•	176,875	•	**176,875**
	Allocated	•	•	•	•	•
Barley	Available	190,919	308,985	195,160	28,610	**723,674**
	Allocated	173,159	•	4,297	19,045	**196,501**
Oats	Available	•	8,967	965	•	**9,932**
	Allocated	•	4,584	•	•	**4,584**
Wheat	Available	422,836	1,244,147	997,502	358,336	**3,022,821**
	Allocated	74,610	•	•	•	**74,610**
Total	**Available**	**613,755**	**1,744,787**	**1,490,861**	**386,946**	**4,236,349**
	Allocated	**247,769**	**67,524**	**41,307**	**19,045**	**375,645**

USDA officials in the affected states attributed the low participation rates to a lack of the most usable grains near the areas of greatest need Most of the total grain available was wheat, which is less usable as a livestock feed than corn, barley, or oats However, most of the available stocks of the latter commodities were not located near the disaster counties.

As can be seen in table II 1, available wheat quantities were over four times greater than barley, the commodity with the second greatest quantity However, wheat was not generally in demand; in the four states, only Montana producers accepted it During the period October-December 1985, Montana county offices allocated 74,610 bushels of wheat for use in EFAP No wheat allocations were reported by North Dakota, South Dakota, or Idaho for the entire 3-month period

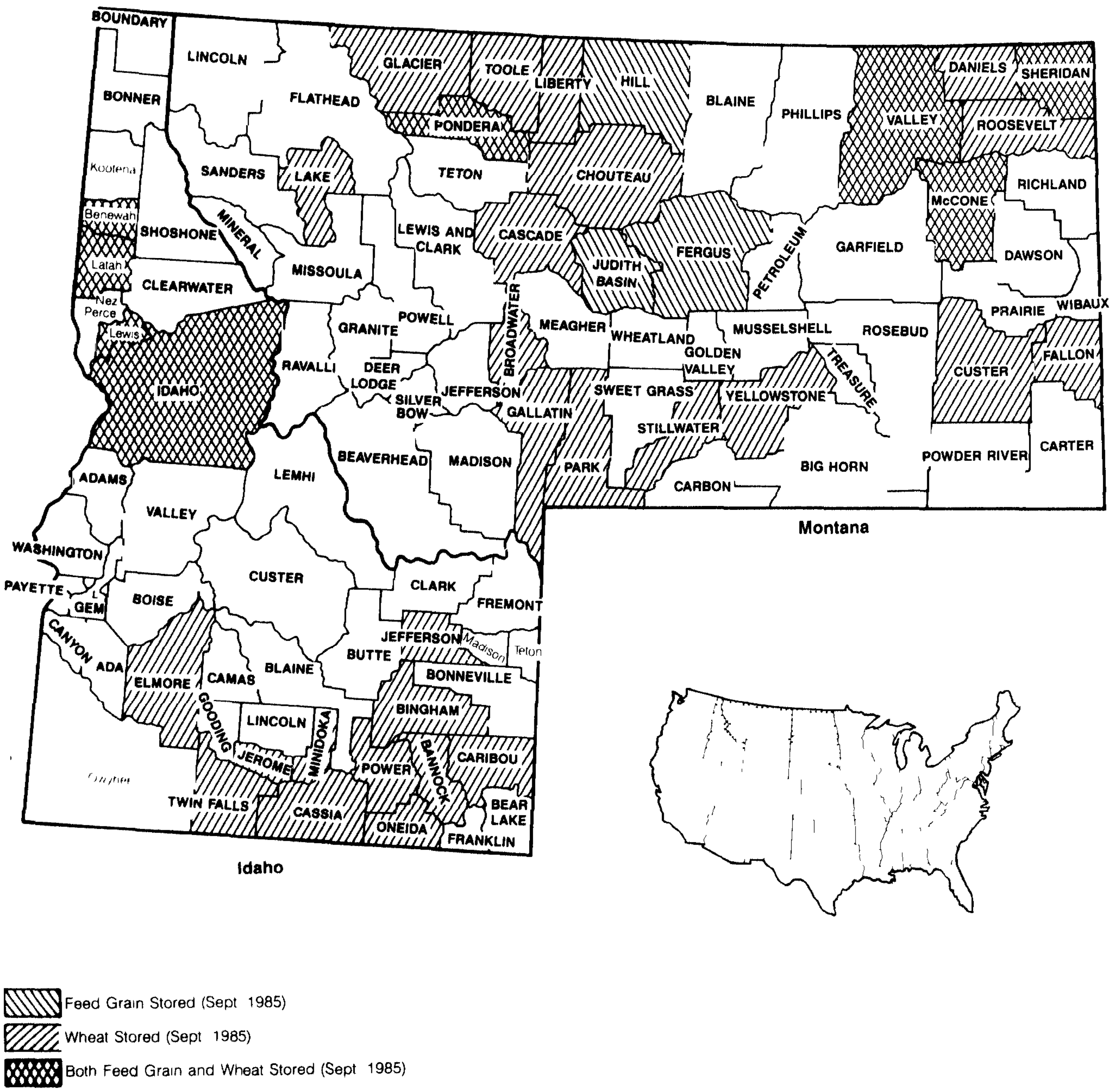
Livestock producers prefer to feed corn and other grains rather than wheat This is because wheat can harm cattle unless it is carefully fed under controlled conditions, according to USDA state officials Although wheat can be an excellent cattle feed, it must be processed before being fed to cattle, and even then must be carefully fed because of the potential digestive problems it might cause, according to USDA officials and livestock experts we contacted at North Dakota and Kansas universities If wheat is not fed in careful amounts, it could kill the animals, according to the officials and the experts

Under EFAP provisions, livestock producers must pay all processing costs if they elect to have the grain processed Processing, according to the USDA officials and livestock experts, would generally consist of grinding the feed, mixing it with other feed or roughage, and forming it into pellets or cake.

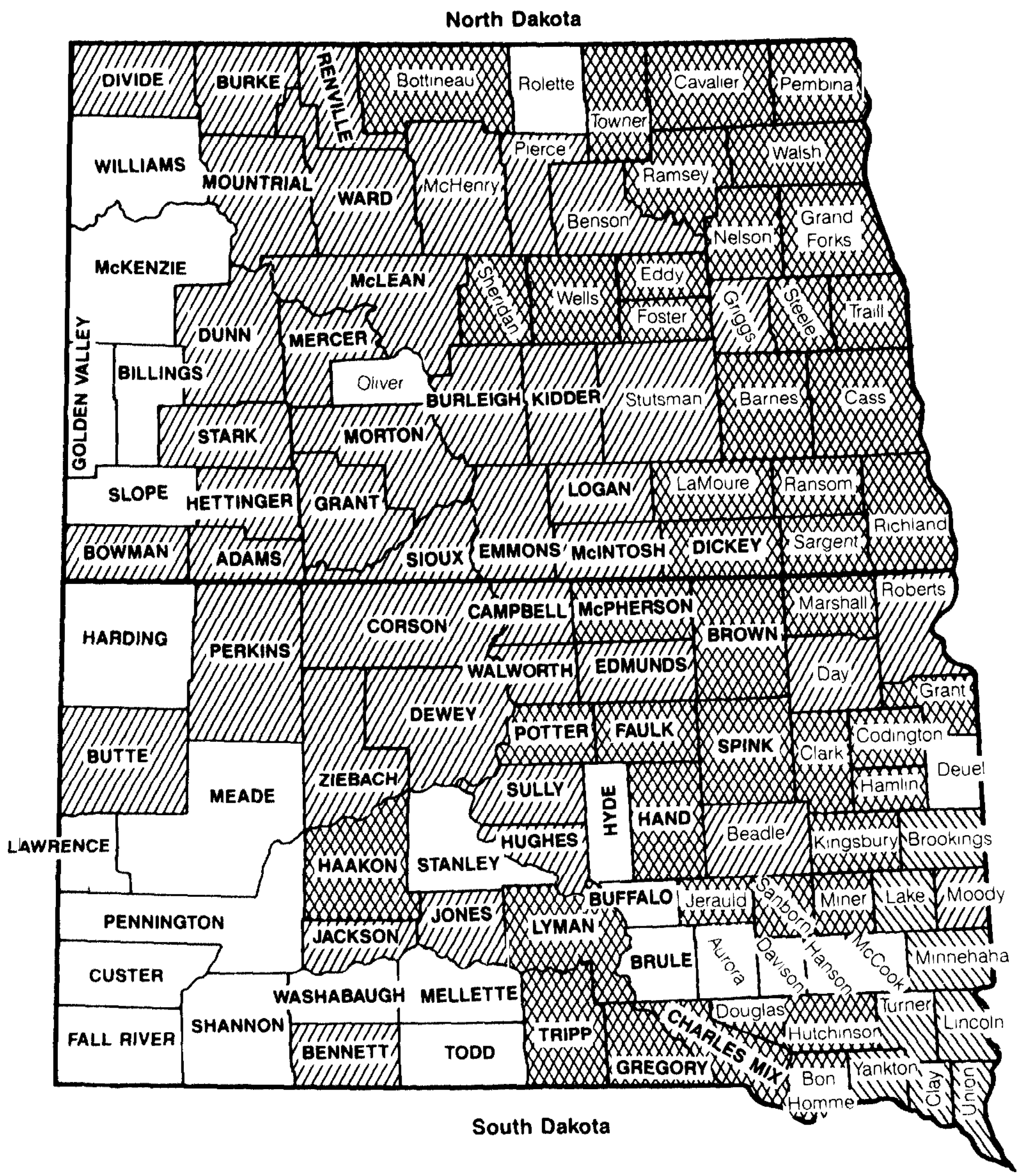
The grains that are considered more usable by livestock producers—particularly corn and barley—were either not stored near the areas of greatest need or were in relatively short supply. For example, in North Dakota, corn, barley, or oats were stored in only one county eligible for EFAP. Figure II.1 shows how the locations of available CCC grains compared with the December 1985 locations of EFAP counties.

Livestock producers who wanted to participate in EFAP often had to transport grain 200 miles from the nearest grain storage location, according to USDA officials in North Dakota. The added transportation costs made the grain too expensive and many livestock producers did not have trucks that could make such a trip, according to the officials

Figure II.1: Comparison of counties eligible for EFAP with CCC grain storage locations



Note Counties eligible for EFAP are shown in bold


North Dakota
DIVIDE
BURKE
RENVILLE
Bottineau
Rolette
Towner
Cavalier
Pembina
WILLIAMS
MOUNTRIAL
WARD
McHenry
Pierce
Ramsey
Walsh
Benson
Nelson
Grand Forks
McKENZIE
McLEAN
Sheridan
Wells
Eddy
Foster
Griggs
Steele
Traill
DUNN
MERCER
GOLDEN VALLEY
BILLINGS
Oliver
BURLEIGH
KIDDER
Stutsman
Barnes
Cass
STARK
MORTON
SLOPE
HETTINGER
GRANT
LOGAN
LaMoure
Ransom
Richland
BOWMAN
ADAMS
SIOUX
EMMONS
McINTOSH
DICKEY
Sargent
HARDING
PERKINS
CORSON
CAMPBELL
McPHERSON
BROWN
Marshall
Roberts
WALWORTH
EDMUNDS
Day
Grant
DEWEY
POTTER
FAULK
SPINK
Clark
Codington
BUTTE
MEADE
ZIEBACH
SULLY
HYDE
HAND
Deuel
Hamlin
LAWRENCE
HAAKON
STANLEY
HUGHES
Beadle
Kingsbury
Brookings
PENNINGTON
JONES
BUFFALO
Jerauld
Sanborn
Miner
Lake
Moody
JACKSON
LYMAN
CUSTER
BRULE
Aurora
Davison
Hanson
McCook
Minnehaha
WASHABAUGH
MELLETTE
FALL RIVER
SHANNON
Douglas
Turner
Lincoln
BENNETT
TODD
TRIPP
CHARLES MIX
Hutchinson
GREGORY
Bon Homme
Yankton
Clay
Union
South Dakota

In two South Dakota counties, EFAP was of little benefit because the price the producers had to pay for the CCC-owned grain, plus the cost to transport the grain to their farms, made the cost equal to, or more than, open market grain at the local elevators, according to USDA state officials. Although some corn, barley, and oats were stored in South Dakota counties eligible for EFAP, most of the stored grain was in the eastern counties while most of the EFAP needs were in the central and western counties. For example, in Brown County, an eastern county eligible for EFAP, more barley was available than in any other South Dakota county but no livestock producers applied for EFAP benefits. Meade County, a western county eligible for EFAP, had no grain in storage, but ultimately more livestock producers participated there than in any other county.

As of September 1985, Montana had about 69,000 bushels of barley available for the entire state Corn, grain sorghum, or oats were not available. Additional barley subsequently became available—up to about 122,000 bushels—but the state virtually ran out of available EFAP barley by mid-December 1985, according to a USDA official in Montana Grain supplies were low because in recent years Montana had harvested little lower grade barley, and very little corn, grain sorghum, or oats entered CCC inventory through the price-support program, according to the official

EFAP Revisions Increased Participation and Program Effectiveness

In January 1986, in accordance with the Food Security Act of 1985, USDA expanded EFAP benefits to provide grain in the disaster areas USDA concurrently made all CCC-owned grains available. With these changes in policy, producers no longer had to travel long distances to pick up EFAP grain; USDA transported the grain to the eligible producer's county or a contiguous county. EFAP participation in Montana, North Dakota, South Dakota, and Idaho increased significantly after these program modifications.

The 1949 act authorizes the Secretary of Agriculture to incur costs of transporting grain for emergency programs to designated central locations However, the Congress, in the Food Security Act of 1985 signed on December 23, 1985, directed the Secretary to bear any expenses, including transportation and handling costs, incurred in making CCC-owned commodities available to eligible producers to alleviate emergency situations In implementing this requirement, USDA provided that CCC would bear the cost of transporting grain to and handling it at storage locations in a disaster county or a contiguous county. EFAP participants would still be responsible for transporting the grain from the storage location to the farm.

Concurrently, USDA stipulated that all, rather than just lower, grades of CCC-owned grain, could be made available for EFAP USDA made this change because (1) CCC lacked large quantities of lower grade grain and (2) USDA wished to avoid having to ship lower grade grain when better grain was already in or much closer to the disaster area, according to a USDA headquarters official

After USDA announced these changes, USDA county offices notified their respective state offices of the types and quantities of grain required to fulfill EFAP needs. The USDA state offices relayed these requests to the Kansas City Commodity Office.[1] The commodity office then made the grain available in the requesting county or in a contiguous county

For a short time, however, the commodity office, with the concurrence of its USDA headquarters office, decided to make available whatever type of grain was most easily deliverable, regardless of what grain was requested. As a result, the commodity office continued to make large quantities of wheat available because CCC had such a large amount of it in the disaster areas. The commodity office declined to deliver other requested grains until the wheat was used. The rationale for making wheat available was that (1) wheat was an acceptable EFAP grain according to USDA's operating handbook, (2) wheat was already in place in the disaster area, and (3) it was the commodity office's policy not to incur additional transportation costs when an approved grain was already in place, according to a commodity office official

Because of the problems cited earlier in using wheat as a feed for cattle, the commodity office modified its policy on making wheat available This decision was made in late January, after consultation with USDA headquarters The commodity office decided to make other grains available when requested, even if wheat was available in the county.

From January through May 1986, when the feed assistance had generally ended, EFAP applications increased about sixfold from the earlier

[1] The Kansas City Commodity Office is the USDA organization responsible for, among other things carrying out CCC commodity operations and accounting for CCC inventory

October-December 1985 period. Table II.2 compares the number of producers who applied for EFAP and the number approved for assistance as of the end of December 1985 and after the program was revised.

Table II.2: EFAP Applications Before and After Program Changes

	Montana		North Dakota		South Dakota		Idaho		Total	
Time	Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved
Dec 985 (before changes)	398	286	17	10	157	56	25	17	597	369
May 1986 (net after changes)	1,205	1,083	738	520	1,535	1,390[a]	118	75	3,596	3,068
End of program (total)	**1,603**	**1,369**	**755**	**530**	**1,692**	**1,446**	**143**	**92**	**4,193**	**3,437**

[a]As of March 1986

EFAP was successful, according to USDA state officials, after the expanded provisions were implemented After the program revisions, EFAP allocations to producers greatly increased, according to final reports submitted by the USDA state offices. Table II 3 shows that 4,422,125 bushels of EFAP grains were allocated in the four states after the program was revised This represents about a 12-fold increase over the 375,645 bushels allocated as of December 31, 1985

Table II.3: EFAP Commodities Allocated After Program Changes

Number of bushels

	State				
Commodity	Montana	North Dakota	South Dakota	Idaho	Total
Corn	92,279	10,738	817,664	•	**970,681**
Grain sorghum	•	•	6,468	•	**6,468**
Barley	1,885,168	944,290	201,537	113,984	**3,144,979**
Oats	•	126,742	121,595	•	**248,337**
Wheat	31,862	13,236	3,170	3,392	**51,660**
Total	**2,059,309**	**1,095,006**	**1,150,434**	**117,376**	**4,422,125**

By making all CCC-owned grains available, USDA not only increased the quantity of grain available to producers but gave producers more choice USDA county offices requested the type of grain the producers wanted to receive and the Kansas City Commodity Office subsequently tried to deliver the grain requested

However, because of the timing of the changes and the amount of time it took to move large quantities of grain into the disaster areas, producers did not need all the grain by the time it arrived. Thus, many producers did not purchase all the grain for which they were initially eligible. The disaster areas received the grain late in the winter feeding period, when producers rely most on grains and hay instead of grazing, according to USDA state officials Producers received most of the grain in late January, February, and March, whereas the winter feeding period, depending on weather conditions, is generally December through February

The Relative Benefits of EFP and EFAP Depend on Local Circumstances

Although EFP and EFAP have similar objectives, differences exist regarding the conditions under which the programs are available, the benefits they provide to livestock producers, and their relative cost to USDA. These differences depend in part on the circumstances surrounding specific disaster emergencies. One program may provide superior benefits in a particular emergency, but may not be superior to the other in all situations

Program Availability

The availability of emergency feed assistance programs depends on the existence of disaster emergency conditions, the legislative authority given the Secretary of Agriculture to provide assistance under those conditions, and the discretion with which the Secretary uses the authority.

Livestock producers in counties affected by natural disasters are not automatically eligible for assistance under EFP or EFAP Rather, as provided by USDA's operating instructions for both EFP and EFAP, these programs are available to producers in counties that meet one of the following conditions. (1) have received a secretarial designation enabling producers to obtain Farmers Home Administration (FmHA) emergency loans,[1] (2) are contiguous to a county that has received a secretarial designation for FmHA emergency loans, or (3) have received a secretarial designation specifically to make producers eligible for EFAP

The Agricultural Act of 1949, under which EFAP is operated, and the Food and Agriculture Act of 1977, under which EFP is operated, specify similar emergency conditions under which the Secretary of Agriculture may provide assistance The 1949 act lists flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe The 1977 act specifically lists all the above emergency conditions except disease and insect infestation, and states "other natural disaster" instead of "other catastrophe "

In its operating handbooks specifying the conditions under which the programs will be available, USDA has made EFAP more restrictive than EFP USDA's operating handbook for EFAP lists drought or excess moisture as the only conditions under which EFAP can be implemented USDA headquarters officials confirmed that EFAP is available only for these conditions. Further, in a July 1985 letter to a Utah farm federation official,

[1] USDA's FmHA makes a variety of loans to help producers purchase and operate farms, as well as to help producers recover from emergency disasters

USDA stated that EFAP was not available for use to assist farmers who lost feed because of insect infestation. EFAP was limited to feed losses caused by drought or excess moisture, according to the letter.

In contrast, EFP covers all the emergency conditions specified in the 1977 act, according to the interim regulations and USDA's operating handbook for EFP. In addition, EFP is available in counties that have been approved for EFP by USDA's Deputy Administrator for State and County Operations (DASCO), according to the operating instructions.[2] However, DASCO approval for EFP does not automatically make a county eligible for EFAP

EFP and EFAP Benefits to Producers Vary Depending on Circumstances

The benefits provided to livestock producers under each program depend on many factors, including the kind of livestock operation, the particular type of feed required, local market conditions, availability of CCC-owned grains, and the value of commodity certificates Because of these varying circumstances, the benefits made available under EFP and EFAP may differ among producers or sections of the country. Further, the promptness with which the program(s) can be implemented may cause one to be more or less beneficial than the other to a producer.

The following sections describe how the programs differ in providing major benefits to each producer

Livestock Coverage

EFP provides assistance to producers for all their eligible livestock; that is, all the livestock a producer owns for a specified period of time. EFAP, on the other hand, provides assistance only for "foundation" herds. Foundation livestock are only those animals and their offspring that are the producer's primary breeding stock.

For example, a producer whose normal operation includes both breeding stock and livestock purchased for fattening and subsequent resale would receive more assistance from EFP than EFAP. Under EFP, a producer would receive assistance for all livestock (both breeding and those purchased for fattening) in an operation as long as he or she owned them for the required period of time. Under EFAP, a producer would receive assistance for breeding stock, but not for livestock purchased for fattening and resale. This program difference occurs because the programs operate under different authorities The 1949 act, the authority

[2]The DASCO is responsible for, among other things, administering USDA disaster emergency feed assistance programs

for EFAP, limits the assistance provided to foundation herds; the 1977 act, the authority for EFP, does not impose this limitation.

Dollar Value of Assistance

As provided in authorizing legislation, EFP reimburses not more than 50 percent of the cost of purchased feed, and EFAP provides CCC-owned grains at no less than 75 percent of the current basic county loan rate Therefore, the dollar value of the assistance provided depends on the local market price of livestock feeds and the local county loan rate for each commodity.

Under EFP, USDA uses commodity certificates to reimburse producers. These certificates can be redeemed for commodities owned by CCC [3] If the livestock producer has an outstanding price-support loan with CCC, the certificate can be used in settlement of part or all of the loan. Alternatively, the producer can sell the certificates back to the local USDA county office or to a third party. The dollar value of this form of assistance then depends on the price received for the certificates. Some producers sell their certificates at a premium (that is, at prices exceeding their face value expressed in dollars). In some cases, the premium exceeded 25 percent, according to a USDA headquarters official.

Under EFAP, the producer is allowed to buy CCC-owned grain for not less than 75 percent of the county loan rate, but receives no reimbursement. Depending on the relationship between the local commercial market price and the county loan rate, the producer may or may not receive a significant program benefit For example, during the fall of 1985, 75 percent of the county loan rate for barley in some areas of Montana was about the same as the going market price, according to a USDA official in Montana. Under this condition, producers did not significantly benefit from EFAP.

Timeliness of Feed Availability

The timeliness of assistance under EFP relies in part on the availability of feeds through local commercial sources. If the desired feed is not immediately available from these sources, producers may experience delays in obtaining feed for their livestock. If the desired feed is immediately available, then EFP may be the most timely means of assistance

[3]Instead of receiving a check for the USDA share of the purchased feed's cost, the producer receives a commodity certificate with a cash face value equal to the USDA share As noted in appendix I, the USDA share of costs is 50 percent of the eligible feed purchases, not to exceed 5 cents per pound of feed grain equivalent

Under EFAP, USDA provides the grain purchased by eligible producers. Many factors affect how promptly USDA can make grain available for the program, including factors not directly under USDA's control. Making CCC-owned grain available to producers at a local warehouse takes several days. USDA's Kansas City Commodity Office must issue a loading order, a document that directs the warehouse to release the grain. According to commodity office officials, preparation and issuance of a loading order takes at least 4 workdays and can take up to 15 workdays

If CCC-owned grain is not located in or near the disaster counties, the commodity office may make grain available by purchasing grain from local sources, trading CCC-owned grain for local commercial grain, or transporting CCC-owned grain. If the grain is to be transported, transportation and available storage at the receiving point must be arranged by the commodity office and the USDA county office In some cases, there may be relatively few local warehouses or storage facilities available For example, in some Montana locations, warehouse storage space was not available to accommodate the volume of grains needed for EFAP Consequently, shipments had to be coordinated to move small quantities of grain at a time, according to USDA officials. Producers were required to pick up only one truckload at a time instead of their entire purchase.

Type of Feed Available

Under EFAP, the feeds available to livestock producers are limited to the grains normally found in CCC-owned inventory. These grains primarily consist of corn, grain sorghum, barley, oats, and wheat. As long as these grains are available and meet livestock producers' needs, EFAP provides effective assistance.

In contrast, EFP allows producers to obtain reimbursement for a variety of feeds purchased on the commercial market. In addition to being reimbursed for feed grains, producers may be reimbursed for purchases of mixed feeds, liquid supplements, and roughage (such as hay). This provision allows the producer to purchase the feed that best suits the livestock operation. Thus, when the commercial market can supply the specific feeds needed, EFP provides more flexible assistance However, EFP is not an effective means of assistance in situations where required feeds are not available on the commercial market.

Cost and Inventory Availability

From a management perspective, two important considerations in comparing EFP and EFAP are the budgetary costs of each program and the availability of CCC-owned commodities. Either of these factors could, depending on the circumstances surrounding the disaster emergency, make one program clearly more cost advantageous to the government.

Cost of the Programs

The costs of the EFP and EFAP programs consist of both cash and noncash as well as current and deferred expenditures For EFP, USDA must reimburse producers; currently, this reimbursement is in the form of commodity certificates, which are noncash. Under EFAP, USDA receives cash for the CCC-owned commodities sold, but must bear any transportation, storage, and handling costs for making those commodities available in the disaster area In addition, there are administrative costs associated with both programs.

When operating EFP during fiscal years 1978-82, USDA reimbursed producers in cash for the government share of the cost of feed purchased. Program costs grew, reaching about $326 million in fiscal year 1981. In suspending the program, USDA cited the level of federal outlays as the reason.

Under current EFP regulations, USDA issues commodity certificates to producers to reimburse them for the government's cost share of feed purchased. This change was made to lessen the government's cash outlay for the program and to make further use of commodities owned by CCC. However, the ultimate effects of commodity certificates on cash outlays depend largely on how the certificates affect CCC's loan program We are currently studying the effects of commodity certificates and plan to report the results.

Under EFAP, USDA sells CCC-owned commodities at 75 percent of the current basic county loan rate to assist livestock producers. USDA receives cash from the producers for the grain sold. However, because it sells the grain at less than the full loan rate, CCC experiences a loss on the transaction which, as with EFP losses, is eventually reimbursed from the U S Treasury

By using commodity certificates to pay for its share of costs under EFP, USDA lessens the significant budgetary difference (in terms of current cash outlays) between EFP and EFAP; the difference, however, is not necessarily eliminated. Under EFP, there may be no immediate current cash outlays, depending on how producers redeem the certificates. Under EFAP, the cash received for the CCC-owned commodities offsets, at least in part, cash outlays for transportation, storage, or handling.

To some extent, savings resulting from lower inventories of CCC-owned commodities offset the cost of each program. Under EFAP, for example, once livestock producers obtain grains, USDA no longer has to pay for storing the grains. The inventory reduction is immediate under EFAP because producers directly buy and take possession of the commodity Similarly, USDA storage costs are reduced when the commodity certificates used as EFP reimbursement are redeemed for CCC-owned grains. The inventory reduction may not be immediate under EFP because the commodity certificates may be bought and sold a number of times before being redeemed

Inventory Availability

Another measure of either EFP's or EFAP's effectiveness depends on the availability of CCC-owned commodities For EFAP, USDA provides the feed grains livestock producers need in the emergency disaster area If sufficient quantities of the needed grain are not already located in or near the counties affected by the disaster emergency, USDA must transport grain from elsewhere. And, any time USDA moves grain, it incurs transportation costs

Under EFP, use of commodity certificates for reimbursement depends on the existence of CCC inventory because the certificates may ultimately be redeemed for commodities. The certificates used for EFP are "generic" in that they do not specify a particular commodity that the bearer of the certificate will receive when it is redeemed. Thus, USDA does not have to maintain inventories of a specific commodity simply for EFP purposes.

USDA Considers a Number of Factors When Deciding on Emergency Livestock Feed Assistance

USDA considers a number of factors, such as severity of the disaster and program cost, when deciding how to assist livestock operators who have been adversely affected by natural disasters. However, the factors are considered subjectively in each situation rather than through a formal, documented process, according to USDA officials USDA responded recently with different levels of assistance to a drought in the northern plains and a drought in the mid-Atlantic and southeastern states. The Secretary judged the southeastern drought as the worse of the two, and therefore provided more assistance to those states, according to USDA officials.

USDA Considerations in Responding to Disaster Emergencies

USDA uses no specific criteria for determining which emergency livestock feed assistance program or programs would most benefit livestock producers in specific emergency situations, while also limiting the cost to the government, according to the Deputy Under Secretary for International Affairs and Commodity Programs Rather, the Secretary subjectively decides which program or programs to implement in response to specific disaster emergencies after considering a number of factors The factors include the following, according to the Deputy Under Secretary and other USDA officials responsible for implementing emergency programs:

- the severity of the disaster, i e , amount of territory affected, estimated dollar loss, number of people affected, and loss of agricultural income,
- the number and type of livestock affected,
- the percentage of feed normally grown in the affected area and the quantity of feed readily available for use,
- the weather conditions and the projected duration of the disaster conditions,
- the "equity" factor (the possible adverse consequences of USDA's actions to producers who were not otherwise affected by the disaster),
- the cost of each type of assistance,
- historical precedent, and
- congressional opinion

The weight given each factor may vary from one emergency situation to another, because the factors are subjectively considered in each situation, according to USDA officials USDA believes that it would not be helpful to develop specific criteria for use in determining which program or programs should be implemented, according to the officials, because conditions surrounding each emergency differ, and it would be impossible to foresee all types of emergency conditions

USDA Responded Differently to Recent Disaster Emergencies

The summers of 1985 and 1986 brought devastating droughts to parts of the country. In 1985 the northern plains states suffered a drought and a subsequent severe winter, as described in appendix II. During the summer of 1986, the southeastern and the mid-Atlantic states from southern Pennsylvania to northern Florida suffered a drought that caused crop and livestock damage estimated in excess of $2 billion

Both droughts appeared to be severe in that they were spread over large geographic areas and significantly affected large segments of the livestock industries in each area In each case, the droughts were reported by some individuals as possibly the worst to affect their areas in the last 50 years. Both droughts destroyed significant percentages of feed normally grown for livestock and, according to USDA and others, left livestock operators throughout the geographic areas with virtually no feed for their livestock.

USDA responded to the separate droughts with different levels of assistance. In the northern plains, USDA implemented only EFAP. In the southeast, USDA implemented EFP as well as EFAP.

Because USDA's decisions about using EFP and EFAP were based on a subjective consideration of factors, we could not pinpoint precisely the factors that led USDA to its different responses to the two droughts. USDA officials said that in their judgment, the southeast drought was worse than the drought in the northern plains, and that more producers and more livestock were affected by the southeast drought. However, USDA did not use a formal, documented process to make this judgment and to decide on the particular response. Therefore, it is difficult to determine the importance of each factor in the decisions.

Comments on Proposed Legislation

Five members of the House of Representatives introduced legislation (the Emergency Livestock Feed Assistance Act of 1986, H.R. 4455) in the 99th Congress to consolidate and improve existing emergency livestock feed assistance programs administered by the Secretary of Agriculture (See app VI) The proposed legislation, which expired without action at the end of the 99th Congress, would have placed the seven existing emergency livestock feed assistance programs under the authority of the Secretary of Agriculture and established standard eligibility requirements for implementing the programs. Currently, some programs must have a presidential declaration for disaster while others need only a secretarial declaration. Also, USDA cannot currently implement two of the programs without approval of the Federal Emergency Management Agency.

Overall, we believe this proposed legislation would have improved disaster emergency livestock feed assistance because the legislation would have provided the Secretary of Agriculture with more discretionary authority As a result, the Secretary could have provided assistance better tailored to each emergency situation We suggest some clarifying changes if similar legislation is to be introduced in the 100th Congress Our comments, based on our work performed during this review and on discussions with USDA headquarters and state officials, follow

Broader Authority

Section 5 of the proposed legislation would have increased program flexibility in two ways. First, it would have vested in the Secretary the authority to implement each program. Currently, the Secretary cannot implement four emergency assistance programs without a preceding declaration of disaster by the President, two of these programs cannot be administered by USDA without a specific request from the Federal Emergency Management Agency This limits the Secretary's ability to use these programs, even when they authorize forms of assistance that the Secretary considers more appropriate than those otherwise available

Second, section 5 would have broadened the Secretary's authority to sell CCC-owned inventories at less than the county loan rate in those instances where the Secretary decides that USDA will assist in maintaining eligible producers' entire herds. Currently, the Secretary can sell CCC-owned inventories at less than the county loan rate only when assisting foundation herds If entire herds need reduced cost assistance, the Secretary can use only the program under which USDA shares feed purchase costs—EFP Therefore, this change would have given the Secretary discretionary authority to sell CCC-owned inventories at the reduced rate or share costs when providing reduced cost assistance for entire herds.

Type of Disaster

Section 2 of the proposed legislation would have stipulated that emergency assistance is to be provided when, because of flood, drought, fire, hurricane, earthquake, storm, hot weather, or other natural disaster, the Secretary of Agriculture decides an emergency exists This language resembles that in the Agricultural Act of 1949, as well as in section 1105 of the Food and Agriculture Act of 1977 authorizing the Emergency Feed Program. However, unlike the 1949 act, the proposed bill did not specifically list disease and insect infestation If the sponsors intend that disease or insect infestation be considered emergency situations, the legislation should specify that these disasters are covered.

Justification for Program Decisions

Section 3 of the proposed legislation would have required that, in implementing programs in response to a particular disaster emergency, the Secretary of Agriculture justify why the unimplemented programs were considered inappropriate forms of assistance.

If this provision is intended to promote a greater understanding of the Secretary's rationale in selecting an assistance program for a given disaster, then the requirement is appropriate. However, if the sponsors also intend to encourage consistent aid in disasters with similar characteristics, the objective might also be achieved by requiring the Secretary to establish specific guidelines or criteria for determining the most appropriate forms of aid. Either requirement could serve to encourage the Secretary toward consistent responses to similar emergency situations, as well as provide a way to review and evaluate the basis of the Secretary's decisions.

Producer Eligibility

Unlike EFP and EFAP legislation, the proposed legislation indicated that producers need not show a loss of feed in order to be eligible for assistance. Section 4 of the bill appeared to allow any producer in a disaster area to receive assistance if he or she is unable to obtain feed through normal channels without undue financial hardship, even if the producer was not directly affected by the disaster For example, if feed prices in normal channels escalated because of increased demand caused by a disaster, any producer who could not afford the higher prices would be eligible for assistance. If the sponsors do not intend such broad coverage, then the language would need to be modified to include whatever eligibility requirements are deemed appropriate—for example, substantial loss of feed.

Grain Pricing

The proposed legislation would have allowed the Secretary discretion in setting the price of CCC-owned grain sold to producers, but stipulated that the price could not exceed 75 percent of the current basic county loan rate. However, section 407 of the Agricultural Act of 1949, as amended, authorizes the Secretary to make grain available at a price not less than 75 percent of the current basic county loan rate. This appears to create a conflict unless the proposed legislation would specifically amend the 1949 act. The apparent purpose of the bill is to consolidate and improve emergency livestock feed assistance programs. Accordingly, the bill would have repealed section 1105 of the 1977 act However, it would have left unchanged the current provisions of section 407 of the 1949 act. Therefore, we suggest that section 407 be amended to substitute the text of the proposed legislation for the appropriate portions of section 407.

In addition, the draft legislation could be modified to make the benefits to the producers about the same regardless of whether the Secretary decides to provide assistance through selling CCC-owned grain or sharing the cost of purchased feed through reimbursement. (The cost-sharing program provides reimbursement of no more than 50 percent of the cost of feed purchased by producers.) To achieve this, the legislation could be amended to require the Secretary to establish the sale price of CCC-owned grain at no more than the lower of (1) 50 percent of the prevailing local market price or (2) 75 percent of the current basic county loan rate. One benefit of such a change would be that producers receiving assistance would be treated about the same regardless of whether they purchased feed from CCC or from commercial sources In addition, this provision would allow the Secretary to implement the program that would be most cost beneficial to USDA.

Proposed Emergency Livestock Feed Assistance Legislation (H.R. 4455)

To consolidate and improve existing emergency livestock feed assistance programs administered by the Secretary of Agriculture, and for other purposes

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1986

Mr STALLINGS (for himself, Mr DASCHLE, Mr DORGAN of North Dakota, Mr BEDELL, and Mr WILLIAMS) introduced the following bill, which was referred to the Committee on Agriculture

A BILL

To consolidate and improve existing emergency livestock feed assistance programs administered by the Secretary of Agriculture, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Emergency Livestock Feed Assistance Act of 1986".

SEC. 2. ESTABLISHMENT OF FEED ASSISTANCE PROGRAM.

The Secretary shall establish an emergency feed assistance program for the preservation and maintenance of livestock in any State, where, because of flood, drought, fire, hurricane, earthquake, storm, hot weather, or other natural disaster, the Secretary determines that an emergency exists.

SEC. 3. APPLICATION AND DECISION-MAKING PROCESS.

(a) REQUESTS FOR DETERMINATION OF EMERGENCY.—

(1) All requests for a determination by the Secretary that an emergency exists shall be made by the Governor of the affected State.

(2) Each request shall state the type and extent of assistance required and shall be accompanied by—

(A) a justification for the request, and

(B) information on the extent and nature of State and local resources which have been or will be used to alleviate the emergency.

(3) A Governor shall make a request under this subsection after consultation with a special State emergency board which collects and compiles data regarding the emergency and to assist in the preparation of the request. The special board shall be comprised of—

(A) a representative of the Agricultural Stabilization and Conservation Service;

(B) a representative of the Soil Conservation Service;

(C) a representative of the Farmers Home Administration; and

(D) a representative of the Governor.

(b) DETERMINATION OF EMERGENCY.—

(1) Before the close of the fourteenth calendar day beginning after the date of receipt of any request pursuant to subsection (a), the Secretary shall either—

(A) deny such request for a determination that an emergency exists; or

(B) notify the Governor that the request is under consideration and identify each assistance program being considered.

(2) Before the close of the twenty-fifth calendar day beginning after the date of receipt of such request, the Secretary shall—

(A) make a final determination that an emergency exists,

(B) determine the appropriate assistance program or programs under this Act to alleviate the emergency; and

(C) provide a justification of why other assistance programs under this Act are inappropriate forms of assistance.

SEC. 4. CONDITIONS OF ELIGIBILITY.

The Secretary shall provide assistance under this Act if the Secretary finds that any of the following conditions created by the emergency are present:

(1) The eligible farmer or rancher has suffered at least a 30 percent loss in feed normally produced on the farm for such farmer's or rancher's livestock, and does not have sufficient feed that has adequate nutritive value and is suitable for such farmer's or rancher's livestock (as of the date of the Governor's request for a determination of emergency under section 3(a)(1)) for the estimated duration of the emergency

(2) The eligible farmer or rancher does not have and is unable to obtain through normal channels of trade without undue financial hardship sufficient feed that has adequate nutritive value and is suitable for such farmer's or rancher's livestock.

SEC. 5. ASSISTANCE.

The following assistance may be made available by the Secretary under this Act to eligible farmers and ranchers:

(1) The donation of feed held by the Commodity Credit Corporation to farmers and ranchers who are financially unable to purchase feed at market prices or to participate in any other program set forth in this subsection, including the cost of transporting feed to the affected area.

(2) Reimbursement of not to exceed 50 percent of the cost of feed purchased by farmers or ranchers for their livestock during the duration of the emergency

(3) The sale of feed grain held by the Commodity Credit Corporation to farmers or ranchers for their livestock at a price established by the Secretary but does not exceed 75 percent of the current basic county loan rate for such feed grain in effect under the Agricultural Act of 1949 (or at a comparable price if there is no such current basic county loan rate)

(4) Hay transportation assistance to farmers or ranchers of not to exceed two-thirds of the cost of transporting hay purchased from a point of origin beyond such farmers' or ranchers' normal trade area to the livestock, subject to the following limitations:

(A) The transportation assistance may not exceed $50 per ton of eligible hay ($12.50 for silage).

(B) The amount of eligible hay may not exceed—

(i) 20 pounds per day per animal unit; or

(ii) the lesser of the farmer's or rancher's feed loss or the amount of additional feed needed for the duration of the emergency.

(5) Livestock transportation assistance to farmers or ranchers of not to exceed two-thirds ot the cost of

transporting livestock to and from available grazing locations, subject to the following limitations:

(A) Transportation assistance may not exceed $24 per head of eligible livestock

(B) Transportation assistance may not exceed the lesser of the farmer's or rancher's feed loss or the amount of additional feed needed for the duration of the emergency.

(6) The donation of feed held by the Commodity Credit Corporation with respect to livestock which is stranded and unidentified as to its owner, including the cost of transporting feed to the affected area.

SEC. 6. COMMODITY CREDIT CORPORATION.

The Secretary shall carry out this Act through use of the funds, facilities, and authorities of the Commodity Credit Corporation.

SEC. 7. REGULATIONS.

The Secretary is authorized to issue regulations to carry out this Act.

SEC. 8. DEFINITIONS.

As used in this Act:

(1) The term "eligible farmer or rancher" means—

(A) any established farmer or rancher who is a citizen of the United States; or

(B) any farm cooperative, private domestic corporation, partnership, or joint operation in which a majority interest is held by members, stockholders, or partners who are citizens of the United States, if such cooperative, corporation, partnership, or joint operation is engaged primarily in farming or ranching In the case of a joint operation, a majority interest must be held by individuals who are related by blood or marriage, as defined by the Secretary.

(2) The term "Governor" means the chief executive of any State.

(3) The term "livestock" means cattle, sheep, goats, swine, poultry, horses, or mules.

(4) The term "Secretary" means the Secretary of Agriculture.

(5) The term "State" means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

SEC. 9. PENALTIES.

(a) CIVIL PENALTY.—Any farmer or rancher who disposes of any feed made available to such farmer or rancher under this Act other than as authorized by the Secretary shall be subject to a civil penalty equal to the market value of the feed involved, to be recovered by the Secretary in a civil suit brought for that purpose.

(b) CRIMINAL PENALTY —Any farmer or rancher who disposes of any feed made available to such farmer or rancher under this Act other than as authorized by the Secretary shall be subject to a fine of not more than $10,000, or imprisonment for not more than one year, or both.

SEC. 10. REPEALER.

Section 1105 of the Agricultural Act of 1977 is repealed.

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