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Report to Congressional Requesters

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DISASTER ASSISTANCE

Problems in Administering Payments for Nonprogram Crops

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Resources, Community, and
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The Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives

The Honorable Dan Glickman
Chairman, Subcommittee on Wheat,
Soybeans, and Feed Grains
Committee on Agriculture
House of Representatives

In response to your request, this report discusses the procedures that the U.S. Department of Agriculture used to administer disaster assistance, as provided by the Disaster Assistance Acts of 1988 and 1989, to producers of nonprogram crops—crops that do not have federal price supports. Specifically, the report assesses the Agricultural Stabilization and Conservation Service's effectiveness in verifying data provided by these producers, its methodology and supporting data used to establish payment rates and expected yields for nonprogram crops, and the levels of disaster payments provided in comparison with estimated production costs incurred. The report recommends that the Congress consider ways of ensuring payment integrity at reasonable costs in the event of future disaster assistance to producers of nonprogram crops.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send copies to the appropriate House and Senate Committees and Subcommittees; interested Members of Congress; the Secretary of Agriculture; the Director, Office of Management and Budget; and other interested parties.

This work was performed under the direction of John W. Harman, Director, Food and Agriculture Issues, who can be reached at (202) 275-5138. Other major contributors to this report are listed in appendix IV.

J. Dexter Peach
Assistant Comptroller General

Executive Summary

Purpose

Under the Disaster Assistance Acts of 1988 and 1989, the Agricultural Stabilization and Conservation Service (ASCS), an agency of the U.S. Department of Agriculture, provided billions of dollars to crop producers nationwide who had severe losses caused by bad weather. Under these acts, ASCS made its first major effort to provide substantial financial assistance to producers of nonprogram crops—about 480 different crops nationwide that do not have federal price supports.

To learn if these producers received disaster payments that reflected their actual losses and if federal resources were safeguarded against fraud, waste, and abuse, the Chairman, House Committee on Agriculture, and the Chairman, Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture, asked GAO to assess ASCS' administering of the payments to producers of nonprogram crops. GAO reviewed payments made in Georgia, Kansas, Texas, and Wisconsin because these states had large payments and represented geographical diversity. Specifically, GAO assessed (1) ASCS' effectiveness in verifying data provided by producers at 201 farms covering 355 nonprogram crops, including detailed reviews of producers' sales records in 19 cases; (2) ASCS' methodology and supporting data used in establishing payment rates and producers' expected—or customary—yields on 378 nonprogram crops; and (3) the levels of payments provided in comparison with estimated production costs incurred on 14 nonprogram crops in 2 states.[1]

Background

For 1988 and 1989 crop losses, ASCS provided producers with over $4.7 billion in direct payments, of which producers of about 480 nonprogram crops, such as fruits and vegetables, received $1.3 billion.

While ASCS maintains crop production data for program crops, it does not do so for nonprogram crops, and therefore it had little information on nonprogram crops covered by the disaster assistance legislation. Accordingly, in establishing crop losses, ASCS was to use and verify, to the extent possible, data provided by producers. These data included the type and location of the crop, number of acres planted, actual crop production, and expected yields. If producers could not prove their actual production with sales receipts or other documents, ASCS was to assign them a production level on the basis of the levels of similar farms. If producers could not prove their expected yields with historical records

[1]The numbers of crops GAO assessed were determined by adding the crops in each state, and they do not necessarily represent different crops.

of their prior years' harvests, ASCS was to assign them expected yields using the best data available from other governmental agencies or private sources. To allow for abnormal highs and lows in the data, ASCS required that 5 years of historical data be used, when available, to establish payment rates and expected yields.

Results in Brief

ASCS could not collect data from producers of nonprogram crops until after the disaster assistance legislation was enacted in August of each year and the producers had filed their loss claims. The delayed authority resulted in ASCS' being unable to verify the validity and accuracy of much of the producers' crop loss data, since the evidence had generally been harvested and sold, or plowed under and destroyed. Thus, the integrity of the data that producers of nonprogram crops provided primarily depended on the honesty of the producers. As a result, ASCS lacked assurance that the $1.3 billion in payments it made to producers of nonprogram crops were accurate and free from fraud, waste, and abuse.

Also, ASCS had no assurance of the reliability of the payment rates and expected yields used to compute disaster payments for many nonprogram crops because it did not have historical data. Of the ASCS files on 378 crops in the 4 states GAO reviewed, only about one-third had documented rates and yields based on the 5 years of data deemed necessary by ASCS.

Because payment rates for nonprogram crops were to be based on producer market prices, the established rates compensated producers for harvest costs, regardless of whether such costs were incurred. For 14 major nonprogram crops GAO reviewed in Georgia and Texas, producers received financial assistance ranging from 80 percent to over 190 percent of state extension service estimates of costs incurred prior to harvest.

Principal Findings

Producers' Data Could Not Be Adequately Verified

Because the 1988 and 1989 payments were based on ad hoc legislation and not on an ongoing program, ASCS was unable to ensure the validity of much of the data producers of nonprogram crops provided. Furthermore, ASCS did not have timely authority to require producers to submit

such data as types of nonprogram crops grown, locations, numbers of acres planted, historical yields, and current production. Also, by the time the legislation was enacted each year, many producers had sold or destroyed their damaged crops. Consequently, ASCS had to make many disaster payments on the basis of unverifiable data.

For 201 farms covering 355 nonprogram crops, GAO reviewed 19 cases in which producers had provided sales records as support for their crop production. In two of those cases, producers had significantly underreported their actual production by not including all sales records, thus overstating their crop losses. This resulted in disaster assistance overpayments of about $45,000. The two cases have been referred to ASCS for follow-up action.

In the event of future ad hoc disaster assistance legislation, ASCS will continue to be unable to verify the accuracy of producers' crop data, unless the data are submitted before the crops are destroyed. However, ASCS believes that obtaining and verifying such data would be expensive and may not be cost-effective.

Historical Data to Support Rates and Yields Were Often Not Available

In the four states GAO reviewed, ASCS had 5 years of historical data on about one-third of the payment rates and expected yields for nonprogram crops. Therefore, ASCS had to establish about two-thirds of its rates and yields using something less than the desired historical data.

Without 5 years of historical data, ASCS frequently developed payment rates and expected yields that were less than reliable. This in turn led to questionable disaster payments to producers of some nonprogram crops, especially for payments made for the 1988 disaster. For example, the Wisconsin ASCS office adjusted its payment rate on watermelons from $500 per ton in 1988—on the basis of 1 year of one producer's data—to $300 per ton in 1989—on the basis of 5 years of data from three neighboring state ASCS offices. This adjustment resulted in a 40-percent reduction in the payment rate between 1988 and 1989. However, ASCS did not adjust for the excessive payments made in 1988.

Just as verifying producers' data could be expensive, collecting 5 years of historical data to establish reliable payment rates and expected yields for all nonprogram crops could also be costly.

Many Disaster Payments Greatly Exceeded Production Costs

ASCS paid producers of many nonprogram crops excessively high disaster assistance benefits because it was legislatively required to set payment rates on the basis of market prices, without adjusting the payments downward to reflect production costs not incurred. Although market prices may represent the best data available on a crop's overall value, they excessively compensate producers when costs such as those for harvesting are not incurred. In Georgia, for example, producers of okra and summer squash (nonprogram crops) who incurred no harvesting costs received disaster payments that were twice their expenses. Producers of soybeans and cotton (program crops), on the other hand, received disaster payments that represented only about 30 to 60 percent of the expenses incurred prior to harvesting. Such conditions created incentives for producers to change their crop plantings in order to increase their payments, especially in areas where there was sufficient time to plant nonprogram crops after the legislation was enacted in August of 1988 and 1989.

Again, for ASCS to adjust payment rates on nonprogram crops to reflect expenses not incurred would be costly because doing so would require data on production costs both prior to and after harvesting. However, without the data it will be difficult to ensure the integrity of the payments if nonprogram crops are included in future disaster programs.

Recommendation to the Congress

If the Congress continues to provide disaster assistance to producers of nonprogram crops, GAO recommends that the Congress consider ways of ensuring payment integrity at reasonable costs. This could be done through legislation that requires producers to keep historical crop production, cost, and sales records. Such records could then serve as a basis for determining the extent of disaster payments. These payments should be adjusted to more closely reflect actual costs.

Agency Comments

In commenting on a draft of this report, USDA stated facts and conclusions that were similar to GAO's concerning problems in administering disaster assistance payments to producers of nonprogram crops. USDA further stated that it believed ASCS implemented the 1988 and 1989 ad hoc legislation in as efficient and uniform a manner as possible, given the circumstances. USDA did not comment on GAO's recommendation to the Congress.

Contents

Abbreviations

ASCS	Agricultural Stabilization and Conservation Service
ERS	Economic Research Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
GAO	General Accounting Office
NASS	National Agricultural Statistics Service
USDA	U.S. Department of Agriculture

Introduction

The Disaster Assistance Acts of 1988 and 1989[1] authorized the Agricultural Stabilization and Conservation Service (ASCS), an agency of the U.S. Department of Agriculture (USDA), to provide direct cash payments to producers who suffered significant crop losses during those 2 years because of damaging weather conditions such as drought or excessive moisture. The intent of the acts was to provide a safety net to mitigate producers' losses and to improve producers' chances for survival.

Under the 1988 and 1989 acts, crop producers nationwide were provided with over $4.7 billion in disaster assistance payments. Producers of program crops[2] received about $3.4 billion, while producers of nonprogram crops[3] received about $1.3 billion. Both program and nonprogram crops were included because of the extensive nature of devastation that occurred to all crops nationwide during those 2 years.

ASCS has provided annual price supports and occasional disaster relief to producers of program crops for many years; thus, the agency has developed considerable knowledge and data on program crops. However, because the 1988 and 1989 acts represented the federal government's first major effort to provide substantial financial assistance to producers of nonprogram crops, ASCS had little or no prior experience in dealing with nonprogram crops.

Establishing Disaster Payments for Losses of Nonprogram Crops

The 1988 and 1989 acts were designed to help producers recoup part of the lost income that resulted from their crop losses. To be eligible for disaster assistance, producers of nonprogram crops under the 1988 act had to incur losses during the year that were greater than 35 percent of their expected yields—that is, the yields they would have expected to harvest under normal weather conditions, according to historical records. The 1989 act increased the percentage requirement so that the losses incurred that year had to be greater than 50 percent of the expected yields. Both acts limited the annual disaster payments to $100,000 per person, and no disaster payments could be provided to a producer who had a gross annual income of over $2 million.

[1]P.L. 100-387, Aug. 11, 1988, and P.L. 101-82, Aug. 14, 1989, respectively.

[2]Program crops are those crops for which some type of federal price support exists. Crops included under this category are wheat, barley, corn, sorghum, oats, rye, rice, cotton, tobacco, peanuts, soybeans, sugar cane, and sugar beets.

[3]Nonprogram crops are those crops that do not have federal price supports. In 1988 and 1989, over 480 different nonprogram crops were covered by the disaster assistance legislation. Apps. I and II show, by state and by major crop, respectively, the payments ASCS made to producers of nonprogram crops.

Eligible producers applied for and received disaster assistance payments by completing applications at their respective county ASCS offices.[4] To demonstrate crop losses, producers of nonprogram crops were legislatively required to provide ASCS with basic crop planting data, which included support for their actual production as well as their expected yields, when available. (The difference between actual production and expected yield represents the crop loss.)

When producers could not prove their actual production and expected yields, ASCS was legislatively required to estimate the figures for them. In carrying out this mandate, ASCS provided guidance stating that, to estimate production, each county committee was to consider the production of similar farms. To estimate expected yield, each cognizant state ASCS office[5] was to use 5 years of historical data on average yields, to the extent possible.

In addition to establishing expected yields, each state ASCS office had to establish payment rates for the nonprogram crops covered in the state so that disaster payments could be calculated. By law, payment rates were to be 65 percent of the average prices received by producers during the last 5 years. ASCS guidelines indicated that the price data were to be obtained from various USDA agencies, to the extent possible.

In response to the legislative requirements, each disaster payment was calculated by first multiplying the expected yield per acre by the number of acres planted. The resulting yield was then adjusted downward to reflect the mandated eligibility requirement. (For example, losses had to be in excess of 50 percent in 1989, so each expected yield was reduced by 50 percent.) Then, the disaster payment was determined by (1) subtracting the actual crop production from the adjusted expected yield and (2) multiplying the resulting loss by the established payment rate. The following example illustrates how individual disaster assistance payments were calculated for nonprogram crop losses in 1989:

[4]There are approximately 2,800 county ASCS offices in the United States, each having a county agricultural stabilization and conservation committee responsible for administering ASCS programs approved for the county. The county committee usually consists of three elected members who are actively engaged in farming. On a day-to-day basis, an ASCS county executive director, who works for but is not one of the county committee members, and staff provide service on agricultural programs to producers. ASCS district directors, who supervise the work of the county committees, work under the direction of the state executive director.

[5]Every state has a state ASCS office, consisting of a three- to five-member state agricultural stabilization and conservation committee, an executive director, and staff. The state committee members are appointed by the Secretary of Agriculture.

1.	Expected crop yield per acre		50 bushels
2.	Total number of acres planted	X	10 acres
3.	Expected yield for all acres planted	=	500 bushels
4.	Maximum level covered (50 percent of the expected yield)	=	250 bushels
5.	Actual crop production	–	50 bushels
6.	Disaster loss for payment	=	200 bushels
7.	Payment rate (65 percent of the average historical price received by producers—$10 per bushel)	X	$6.50
8.	**Total disaster payment**	=	**$1,300**

The following chapters of this report present our evaluation of the adequacy and verifiability of the data provided by the producers, ASCS' efforts to determine payments, and the fairness of using market prices to value destroyed crops. Chapter 2 discusses the problems that ASCS encountered in its attempts to verify nonprogram crop losses on the basis of producer-generated crop data (numbers 1, 2, 3, and 5 of the above example). Chapter 3 discusses the problems ASCS encountered in establishing payment rates and expected crop yields (numbers 1 and 7). Chapter 4 discusses the levels of payments, which resulted from using market prices to establish payment rates, compared with production costs incurred (also number 7). Lastly, chapter 5 provides our overall conclusions, recommendation to the Congress, and agency comments.

Objectives, Scope, and Methodology

On April 23, 1990, the Chairman, House Committee on Agriculture, and the Chairman, Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture, asked us to review the procedures that USDA used to administer the Disaster Assistance Acts of 1988 and 1989. The Chairmen were specifically interested in the methods and controls used by ASCS to ensure the accuracy and fairness of disaster assistance payments provided to producers of nonprogram crops. In response to that interest, we agreed to determine the

- effectiveness of county ASCS offices' efforts to verify data provided by producers,
- methodology and supporting data used by state ASCS offices to establish payment rates and expected yields for nonprogram crops, and
- levels of disaster payments provided to producers of nonprogram crops in comparison with estimated production costs incurred.

We performed our overall audit work by interviewing officials and collecting pertinent information at USDA headquarters in Washington, D.C., specifically at ASCS, the National Agricultural Statistics Service (NASS), and the Economic Research Service. We also interviewed officials at USDA's Federal Crop Insurance Corporation (FCIC) field office in Kansas City, Missouri, and at state ASCS offices in Georgia, Kansas, Texas, and Wisconsin. Within the four states, we visited six county ASCS offices—Mitchell County in Georgia; Leavenworth County in Kansas; Hidalgo and Medina Counties in Texas; and Brown and Fond du Lac Counties in Wisconsin—to collect detailed information on specific disaster claims and payments to determine how they were processed and calculated.

We selected the four states because (1) large payments were provided there for losses of nonprogram crops in 1988 and 1989, and (2) the states represented geographical diversity. Georgia, Texas, and Wisconsin were among the 10 states in which the amounts of disaster assistance paid on nonprogram crops in 1988 were highest, and in Kansas the amount of disaster assistance paid on all crops in 1989, including program crops, was the second highest in the nation.

In reviewing the effectiveness of county ASCS offices' efforts to verify producers' crop data, we chose the six counties on the basis of their high loss claims and discussions with ASCS state executive directors and district directors in the four states. We examined internal controls and administrative procedures at each county office to verify the (1) types of crops grown, (2) numbers of acres planted, and (3) actual crop production. We reviewed ASCS' guidelines and procedures used to implement the acts, and we interviewed state and county ASCS office staff, state and county committee members and executive directors, and selected producers and private buyers of nonprogram crops. To assess ASCS' effectiveness in verifying data from producers, we reviewed data from a judgmentally selected sample of 201 farms covering 355 nonprogram crops, which included detailed reviews of producers' sales records in 19 cases.

In reviewing the methodology and support used by ASCS to set payment rates and expected yields, we interviewed officials of the state ASCS offices and the corresponding Extension Service offices. In the four states, we reviewed the methodology and support for payment rates and expected yields on 378 nonprogram crops that ASCS established in 1988 and 1989; to review those rates and yields, we determined the origin of the data the state ASCS offices used as a basis for their decisions and the years the data covered.

In reviewing the levels of disaster payments in comparison with production costs incurred, we analyzed estimated production costs incurred prior to harvest for 14 major nonprogram crops in 2 states where reliable data were available and compared those costs with corresponding ASCS' disaster assistance payments made in 1989. Specifically, for each crop in our analysis, we compared the estimated production costs incurred prior to harvest, as obtained from state Extension Service reports, with the maximum amount of disaster relief paid by ASCS. As part of our comparative analysis, we also obtained levels of disaster payments and production costs incurred prior to harvest for selected program crops.

We conducted our review from April 1990 through April 1991. Our work was performed in accordance with generally accepted government auditing standards. We obtained formal agency comments and incorporated them where appropriate in this report. (See app. III for USDA's detailed comments. Also, see ch. 5 for a brief discussion of USDA's specific comments.)

Producers' Data Could Not Be Adequately Verified

In its effort to ensure the validity of disaster claims for nonprogram crops in 1988 and 1989, ASCS was unable to verify much of the data provided by producers on types of crops grown, numbers of acres planted, and actual crop production harvested. This situation occurred because the disaster assistance legislation was not enacted until August of each year, and by the time the crop loss claims were submitted, the producers had generally replaced their damaged crops with other crops. As a result, ASCS had little choice but to accept the producers' data as accurate, even if the data could not be adequately verified. Without an effective way to validate producers' crop data, ASCS had no assurance that the $1.3 billion paid in benefits to producers of nonprogram crops was protected from fraud, waste, and abuse.

In order to provide adequate controls to validate losses of nonprogram crops, ASCS would have had to require producers of nonprogram crops to submit data annually on such things as crop plantings, expected yields, and production, as it now requires from producers of program crops. However, because ASCS has no price support programs for producers of nonprogram crops, the agency would need legislative authority to undertake such a task each year. The costs to collect and maintain annual crop data may exceed any savings realized, however, unless widespread crop disasters occur every year and the Congress enacts continuous legislation to provide assistance to producers of nonprogram crops.

Effective Controls Did Not Exist for Verifying Producers' Data on Types of Crops Grown and Acres Planted

In implementing the Disaster Assistance Acts of 1988 and 1989, ASCS was unable to establish effective controls for verifying the types of crops grown and the numbers of acres planted by many of the producers of nonprogram crops who applied for disaster benefits. Unlike producers of program crops, who annually report their crop plans to ASCS in order to participate in the price support programs, producers of nonprogram crops were not required to submit similar reports to ASCS that specified such things as crop types, acres, and locations. Only after the ad hoc disaster assistance legislation was enacted in August of 1988 and 1989, and assistance was subsequently requested for losses incurred in those 2 years, were producers of nonprogram crops required to report such data.

To determine whether a certain crop was grown on a specified number of acres at a particular location, ASCS' implementing guidelines required producers of nonprogram crops to submit self-certified crop acreage reports to county ASCS offices when they applied for disaster benefits.

Such reports did not provide adequate controls for ASCS to prove what was planted, however. Generally, ASCS could not inspect the fields in order to verify producers' reports because, by the time the disaster assistance legislation was enacted in August each year, many producers of nonprogram crops had (1) harvested or destroyed their crops, (2) planted second or third crops, or (3) prepared their land for the following growing season. ASCS' verification of crops and acreage planted was made even more difficult because the legislation permitted producers to delay applying for disaster benefits until March 31 of the following year.

In addition to requiring producers to report acreage planted, ASCS' guidelines required county committees to (1) verify other data submitted by producers in their application packages, such as receipts for seed, when physical evidence of the crop was not available, to identify the amounts and types of seed purchased; and (2) examine aerial slides to physically identify the crops and their boundaries. The adequacy of receipts for seed to determine crop planting was questioned by the Georgia and Texas state executive directors because they believed such receipts can be easily obtained and may not necessarily correspond to the damaged crop covered by the disaster claim. Similarly, the state directors questioned the use of aerial slides to verify the planting of nonprogram crops and their boundaries. They pointed out that ASCS schedules aerial flights to coincide with the growing season of program crops only; therefore, such flights are of little use for verifying nonprogram crops that have different growing seasons. The state executive directors also stated that, even when nonprogram crops were grown in conjunction with program crops, the nonprogram crops were often planted on a small number of acres, which made them difficult to identify on aerial slides.

ASCS' guidelines also required its county offices to perform a limited number of on-site field inspections to verify the existence and extent of crop damage reported by producers of nonprogram crops. We found that, in cases where county ASCS offices had noted in the producers' application packages that on-site field inspections had been performed, the inspectors had little success in verifying the crop losses. According to three county executive directors we visited in Georgia and Texas, on-site field inspections were unsuccessful because many producers of nonprogram crops had planted a second or third crop, or prepared their land for the following season, before requesting disaster assistance. In those instances, ASCS inspectors were unable to verify the existence of any earlier, weather-damaged crops.

Two county executive directors in Wisconsin told us that they were concerned about making disaster payments on the basis of unverifiable data, especially for hay producers in their state who received large payments. They said that, although producer-certified reports were the primary source for identifying the loss of hay, ASCS had no way of determining the accuracy of the data reported because hay is cut three or four times each season and is generally consumed on the farm by the producers' livestock. It should be noted that in 1988 and 1989, hay producers received about $550 million in disaster payments, the largest amount among the funds received by all producers of nonprogram crops in the United States.

Effective Controls Did Not Exist for Verifying Producers' Data on Expected Yields and Actual Production

Just as ASCS had no effective controls for verifying crops and acres planted, the agency also had none for verifying producers' data that were used to determine crop losses. Ideally, crop losses were determined by subtracting producers' actual crop production from their expected yields.

The 1988 and 1989 acts put the onus of responsibility on producers, rather than ASCS, to prove their expected yields by providing ASCS with records of yields from prior years. When such records were not available, ASCS was to assign them a yield figure. We found that few producers who claimed losses in 1988 and 1989 submitted prior years' data to ASCS for which the agency could establish expected yields. For example, in a sample of 201 farms covering 355 nonprogram crops (not necessarily different crops), expected yields based on historical data submitted by the producers existed for only 12 crops (about 3 percent). Consequently, for the remaining nonprogram crops, ASCS had to establish an expected yield on the basis of data obtained from other sources. (Ch. 3 of this report discusses ASCS' efforts to establish expected yields for nonprogram crops using sources other than producers' data.)

Regarding crop production reported for the year of the disaster claim, ASCS' guidelines required producers to provide documentation such as sales receipts and scale tickets to county ASCS offices so that the offices could determine the extent to which crops were actually produced. If producers claimed that they had no production, or if they lacked satisfactory documentation, then the county committees were to assign them crop production figures on the basis of production obtained from producers of similar farms.

According to the state executive directors in each of the four states we visited, support such as sales receipts and scale tickets provided only limited assurance of the validity of the reported crop production. If for some reason producers did not provide all of their sales receipts and scale tickets, detecting the error would be difficult for the county ASCS offices, the officials said.

Another concern, according to the state executive directors, dealt with the process of assigning crop production to producers on the basis of similar farms' production. This process resulted in crop production estimates that generally depended on the personal knowledge of the county committee members. However, these members had little or no knowledge on which to base their crop production figures because they lacked experience with many of the nonprogram crops.

Some Erroneous Reporting of Crop Losses Was Detected

For the most part, ASCS could not determine the extent of the problem caused by its inability to verify crop losses for nonprogram crops in 1988 and 1989. However, an ASCS district director in Georgia told us that in instances in which his county offices had been able to verify producers' production data, some underreporting had been identified.

In a limited review of 19 cases from our sample of 201 farms covering 355 nonprogram crops, we verified sales receipts and/or scale tickets in which producers had provided evidence to support their crop production. By contacting the issuers of those receipts (the identified buyers of the crops) and reviewing their records, we found that in 2 of the 19 cases the producers had significantly underreported their crop production. In one case, underreported crop production in 1989 resulted in the producer's receiving more than $33,000 in overpayments, or about 44 percent of the $74,609 he received in total payments from ASCS that year. In the other case, the producer underreported 67 sales receipts in 1988 and 1989, resulting in an overpayment of about $12,000, or 10 percent, of the $124,464 he received during those 2 years. (We referred the two cases to the respective state ASCS office for follow-up action.) Because our review of the 19 cases was limited to only those buyers indicated in the producers' application packages, we were unable to determine if producers had also sold their crops to other buyers but not included the sales receipts or scale tickets from those buyers.

Controls Needed to Verify Producers' Data May Not Be Cost-effective to Implement

According to officials in ASCS' Office of the Deputy Administrator, State and County Operations, more effective internal controls would be needed to verify the accuracy of producers' crop data that are used to calculate disaster payments for losses of nonprogram crops, but implementing such controls may not be cost-effective. The officials said ASCS would have to collect the data and incur additional costs every year, regardless of whether a widespread disaster occurs. Although the officials were unable to provide cost estimates, they believed that annually reviewing and verifying crop plans and production data submitted by producers of nonprogram crops would be costly.

Similarly, several state and headquarters officials from ASCS told us that the county offices would need additional employees if producers of nonprogram crops were required to submit crop plans annually. According to those officials, employees would be needed to verify the data submitted by the producers and to spot-check such things as the types of crops grown and the number of acres planted. In particular, the officials said that county ASCS offices located in southwest Texas and in Michigan would need additional staff because in those areas there currently are many producers of nonprogram crops but few participating producers of program crops, and staffing levels are determined by program crop activities only. In contrast, those officials said, the larger county ASCS offices, such as those in southwest Georgia where there are many participating producers of program crops, are already staffed to accommodate a large volume of activities; thus, those offices would have less need for additional staff to help handle the additional work load caused by including producers of nonprogram crops.

To verify the production by producers of nonprogram crops, aerial flights and on-site field inspections would have to be increased from their current levels in certain areas to cover the various growing seasons of nonprogram crops, according to state ASCS officials. The officials further stated, however, that, although they believed additional flights and inspections could prepare ASCS to better administer disaster assistance programs—if ad hoc disaster assistance legislation were continued in future years—such tasks would be expensive to implement.

Conclusions

ASCS had no legislative authority to require producers of nonprogram crops to submit data supporting their crop losses until after the Disaster Assistance Acts of 1988 and 1989 were enacted in August of each year and the producers submitted their applications for disaster payments. As a result, ASCS was unable to ensure the validity of disaster payments

it made to producers of nonprogram crops, since the damaged crops had often been replaced by the time ASCS received the producers' crop loss data. In the event of future ad hoc disaster assistance legislation, ASCS will continue to be unable to verify the accuracy of producers' crop data unless the data are submitted before the crops are destroyed so that the losses can be checked. However, ASCS believes that obtaining and verifying producers' crop data beforehand would be expensive and may not be cost-effective.

Reliable Data for Establishing Payment Rates and Expected Yields Were Often Not Available

In response to disaster claims made in 1988 and 1989, ASCS identified a nationwide universe of over 480 different nonprogram crops eligible for disaster assistance benefits. Through its state offices, ASCS had to establish a payment rate and expected yield for each of those crops. The Disaster Assistance Acts of 1988 and 1989 stated that payment rates were to be based on prices received by producers during the immediately preceding 5 years, and expected yields were to be based on the best available data (in the absence of expected yield data provided by producers). ASCS' implementing guidelines emphasized that 5 years of historical data be obtained and used, to the extent possible, in establishing both payment rates and expected yields. Using 5 years of data helps to account for abnormally high and low figures.

In the four states we visited, about one-third of the payment rates and expected yields established on 378 nonprogram crops were based on 5 years of historical data. The remaining rates and yields were based on less than 5 years or an unspecified number of years. Therefore, those states were not consistent with the 1988 and 1989 acts or ASCS' guidelines.

ASCS has no legislative authority or funding to maintain historical data on payment rates and crop yields for nonprogram crops, so its efforts to establish reliable rate and yield estimates for those crops will continue to be a problem in the event of future disaster assistance programs. Moreover, even if ASCS had the authority, the costs of collecting and maintaining reliable data for establishing payment rates and expected yields for all nonprogram crops could be high.

Reliable Payment Rates Could Not Always Be Established

To develop reliable payment rates for nonprogram crops, ASCS was legislatively required to use average prices received by producers during the immediately preceding 5 years. ASCS was to exclude the high and low years' prices and average the prices for the remaining 3 years to establish a simple average price for each crop. ASCS' implementing guidelines further provided that state ASCS offices were to establish payment rates for nonprogram crops, to the extent possible, on 5 years of historical data on prices obtained from either of two other USDA agencies—the National Agricultural Statistical Service (NASS) or the Farmers Home Administration (FmHA).[1] If NASS or FmHA did not maintain historical data

[1]NASS is responsible for, among other things, collecting periodic data on selected crop production, prices, and related subjects. FmHA, as a credit agency, collects data on crop prices to be used in its agricultural loan operations.

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In response to disaster claims made in 1988 and 1989, ASCS identified a nationwide universe of over 480 different nonprogram crops eligible for disaster assistance benefits. Through its state offices, ASCS had to establish a payment rate and expected yield for each of those crops. The Disaster Assistance Acts of 1988 and 1989 stated that payment rates were to be based on prices received by producers during the immediately preceding 5 years, and expected yields were to be based on the best available data (in the absence of expected yield data provided by producers). ASCS' implementing guidelines emphasized that 5 years of historical data be obtained and used, to the extent possible, in establishing both payment rates and expected yields. Using 5 years of data helps to account for abnormally high and low figures.

In the four states we visited, about one-third of the payment rates and expected yields established on 378 nonprogram crops were based on 5 years of historical data. The remaining rates and yields were based on less than 5 years or an unspecified number of years. Therefore, those states were not consistent with the 1988 and 1989 acts or ASCS' guidelines.

ASCS has no legislative authority or funding to maintain historical data on payment rates and crop yields for nonprogram crops, so its efforts to establish reliable rate and yield estimates for those crops will continue to be a problem in the event of future disaster assistance programs. Moreover, even if ASCS had the authority, the costs of collecting and maintaining reliable data for establishing payment rates and expected yields for all nonprogram crops could be high.

Reliable Payment Rates Could Not Always Be Established

To develop reliable payment rates for nonprogram crops, ASCS was legislatively required to use average prices received by producers during the immediately preceding 5 years. ASCS was to exclude the high and low years' prices and average the prices for the remaining 3 years to establish a simple average price for each crop. ASCS' implementing guidelines further provided that state ASCS offices were to establish payment rates for nonprogram crops, to the extent possible, on 5 years of historical data on prices obtained from either of two other USDA agencies—the National Agricultural Statistical Service (NASS) or the Farmers Home Administration (FmHA).[1] If NASS or FmHA did not maintain historical data

[1]NASS is responsible for, among other things, collecting periodic data on selected crop production, prices, and related subjects. FmHA, as a credit agency, collects data on crop prices to be used in its agricultural loan operations.

obtained from three neighboring state ASCS offices. This adjustment resulted in a 40-percent reduction in the payment rate between 1988 and 1989. However, the Wisconsin state ASCS office did not recompute its 1988 disaster payments to correspond with the more reliable adjusted rate.

Reliable Expected Yields Could Not Always Be Established

To develop reliable expected yields for nonprogram crops, the 1988 and 1989 acts emphasized that yields were to be supported by producers' records of past harvests. However, if that data were not available, then ASCS was to use the best data available to establish an expected yield for each crop. Although the acts did not specify years of data to use in establishing yields, ASCS' implementing guidelines emphasized that its state offices establish expected yields, to the extent possible, on 5 years of historical data.

Table 3.2 shows that 125 (33.1 percent) of 378 expected yields established by the four state ASCS offices were based on 5 years of historical data, 50 yields (13.2 percent) were based on data collected for periods of 2 to 4 years, 36 yields (9.5 percent) were based on 1 year of data, and the remaining 167 yields (44.2 percent) were based on an unspecified number of years. Therefore, ASCS established expected yields for many nonprogram crops that may not have accounted for periodic variances in yields.

Table 3.2: Years of Data Used to Establish 1989 Expected Yields for Nonprogram Crops in Four States

	Number of expected yields, by years of data used				
State	**Unspecified**	**1 year**	**2-4 years**	**5 years**	**Total**
Kansas	15	16	3	32	**66**
Georgia	25	1	7	39	**72**
Wisconsin	15	17	30	23	**85**
Texas	112	2	10	31	**155**
Total	**167**	**36**	**50**	**125**	**378**
Percent	44.2	9.5	13.2	33.1	**100.0**

Note: The total number of crops was determined by adding the crops in each state; therefore, it does not necessarily represent 378 different crops.

Even when 5 years of data were available, ASCS did not always use that data to establish expected yields. For example, in Georgia, NASS had established a yield for hay at 2.2 tons per acre on the basis of 5 years of data. Despite the availability of historical data, the state committee raised the yield to 3.0 tons per acre. While the state committee believed

that its yield was more appropriate, it had been instructed by ASCS headquarters not to vary from NASS data. By using an expected yield of 3.0 tons per acre instead of 2.2 tons per acre, the county ASCS offices overpaid hay producers $343,207.

Maintaining Additional Price and Yield Data Could Be Costly

In the four states we visited, the percentage of crops for which NASS or FmHA had 5 years of historical price data to establish payment rates in 1989 ranged from a low of 23 percent (36 of 155 crops) in Texas to a high of 56 percent (40 of 72 crops) in Georgia. Likewise, the percentage of crops for which NASS or FmHA had 5 years of historical data to establish expected yields ranged from a low of 20 percent (31 of 155 crops) in Texas to a high of 54 percent (39 of 72 crops) in Georgia. ASCS officials could not estimate what it cost to maintain historical price and yield data for those crops, nor could they estimate the costs to obtain such data on additional nonprogram crops. However, the officials did question the cost-effectiveness of obtaining data in order to establish more reliable payment rates and expected yields.

Similarly, a NASS official could not provide us with any cost estimates, but he said that it would be expensive to collect historical data on prices and yields for all 480 nonprogram crops. As an example of the potential costs, the NASS official stated that his office had estimated in 1990 that it would cost about $19.9 million annually to collect such data on 50 program and nonprogram crops.

Conclusions

Historical data needed to establish reliable payment rates and expected yields in 1988 and 1989 in the four states we visited were available for about one-third of the nonprogram crops. For the remaining two-thirds of the crops, ASCS had no assurance that the rates and yields it established were reliable.

NASS and/or FmHA annually collect price and yield data on a limited number of crops but have no plans to collect more data to provide historical prices and yields for additional nonprogram crops. Without such data, ASCS will continue to rely on less than optimum information for establishing payment rates and expected yields for nonprogram crops, if disaster assistance programs are continued in the future. It may be costly to collect the needed historical data, however.

Many Disaster Payments Greatly Exceeded the Production Costs Incurred

The Disaster Assistance Acts of 1988 and 1989 required ASCS to use market prices (prices received by producers) for setting payment rates on nonprogram crops. Although market prices may represent a crop's overall value to society, their use inflated the value of disaster payments—even though the resulting payment rates were reduced to represent 65 percent of the average prices received. Market prices normally compensate producers for all of their production costs, including harvesting—a cost that comprises over three-fourths of the total production costs for many nonprogram crops, according to state Extension Service data. However, when producers suffer the complete loss of a crop, as many did in 1988 and 1989, they do not incur harvesting costs. Nevertheless, because the disaster assistance legislation required that market-based payment rates be used as a basis for all payments, those producers received compensation in excess of their incurred costs. This led to unnecessarily high program costs for the federal government.

Use of Market Prices to Establish Payment Rates Leads to Excessive Compensation

The disaster assistance legislation aimed to provide producers with equitable and consistent payments sufficient to offset their crop losses, given time and budget constraints. Furthermore, the payments were to serve as a basic safety net for producers suffering significant reductions in crop yields, thereby mitigating their losses and improving their chances for survival. Because market prices were used to establish payment rates, however, we believe that payments to some producers of nonprogram crops were too high.

Under the 1988 and 1989 acts, ASCS was required to use average market prices received by producers in establishing payment rates for nonprogram crops. Although harvest costs encompass a large portion of total production costs for most nonprogram crops, this cost is not always incurred when disasters strike crops. Harvesting nonprogram crops, which is generally labor-intensive, comprises roughly two-thirds to three-fourths of total production costs, as shown in table 4.1. Conversely, harvesting program crops, which is largely mechanized, accounts for a small part of total production expenses.

Table 4.1: Estimated Production Costs per Acre for Selected Georgia and Texas Crops

State and crop[a]	Harvesting and related costs[b]	Total cost[b]	Harvesting as a percentage of total cost
Georgia			
Okra (n)	$1,526	$1,973	77
Squash (n)	1,068	1,621	66
Cotton (p)	156	491	32
Soybeans (p)	28	202	14
Southwest Texas			
Lettuce (n)	$2,125	$2,654	80
Onions (n)	1,825	2,389	76
Wheat (p)	28	232	12
Grain Sorghum (p)	35	318	11

[a]Crops designated "(n)" are nonprogram crops; "(p)" are program crops.

[b]Figures are rounded to the nearest whole dollar.

Source: GAO analysis of state Extension Service data.

Market prices represent the best available information regarding the value of a crop and account for all of the forces of supply and demand affecting the value. Over time, market prices should reflect the total cost of producing a crop, including the cost of harvesting, cleaning, and transporting, plus compensation for the risk inherent in its production. Yet, when producers have no crop production—as was often the case in 1988 and 1989—expenses for harvesting, cleaning, and transporting are not incurred. As a result, payment rates based on market prices, with no adjustment for reductions in the actual production costs incurred, provide disaster relief that far exceeds the producers' investments.

In contrast to the method for establishing payment rates for the 1988 and 1989 disaster assistance programs, the Federal Crop Insurance Corporation's (FCIC)[1] guidelines limit coverage on many nonprogram crops to the commodity's value in the field. In general, for nonprogram crops with high harvesting costs, FCIC sets payment rates on the basis of average market prices received by the producer, less such costs as harvesting and transporting. Removing these expenses allows FCIC to insure a given crop for the value the producer has in it. For many crops, the difference between a crop's value in the field prior to harvesting and its value after harvesting is considerable. For example, in 1989, the highest payment rate that FCIC offered Georgia producers to insure their tomato

[1]FCIC is a wholly government-owned corporation within USDA. Its primary purpose is to provide multiple-peril crop insurance to farmers to protect them against such things as adverse weather, insects, and plant disease.

crops against loss was $9.80 per hundredweight (cwt). The Disaster Assistance Act of 1989, on the other hand, provided $26.50 per cwt to those same producers for their losses.

According to an ASCS assistant deputy administrator, his office was aware in 1988 and 1989 that disaster payments provided on many nonprogram crops were excessive when they were compared with production costs incurred prior to harvesting. However, because legislation mandated the use of market prices—rather than production costs incurred—to set payment rates, ASCS was unable to make any rate adjustments.

Disaster Payments on Many Nonprogram Crops Were Excessive and Inequitable Compared With the Production Costs Incurred

By comparing disaster payments received by producers for total losses where crops were not harvested with estimates of production costs incurred prior to harvesting for selected nonprogram crops in two states, we found instances in which we believe producers received excessively high payments in 1988 and 1989.[2] Furthermore, in comparing program and nonprogram crop payments made to producers who did not harvest their crops, we found inequities in the payments.

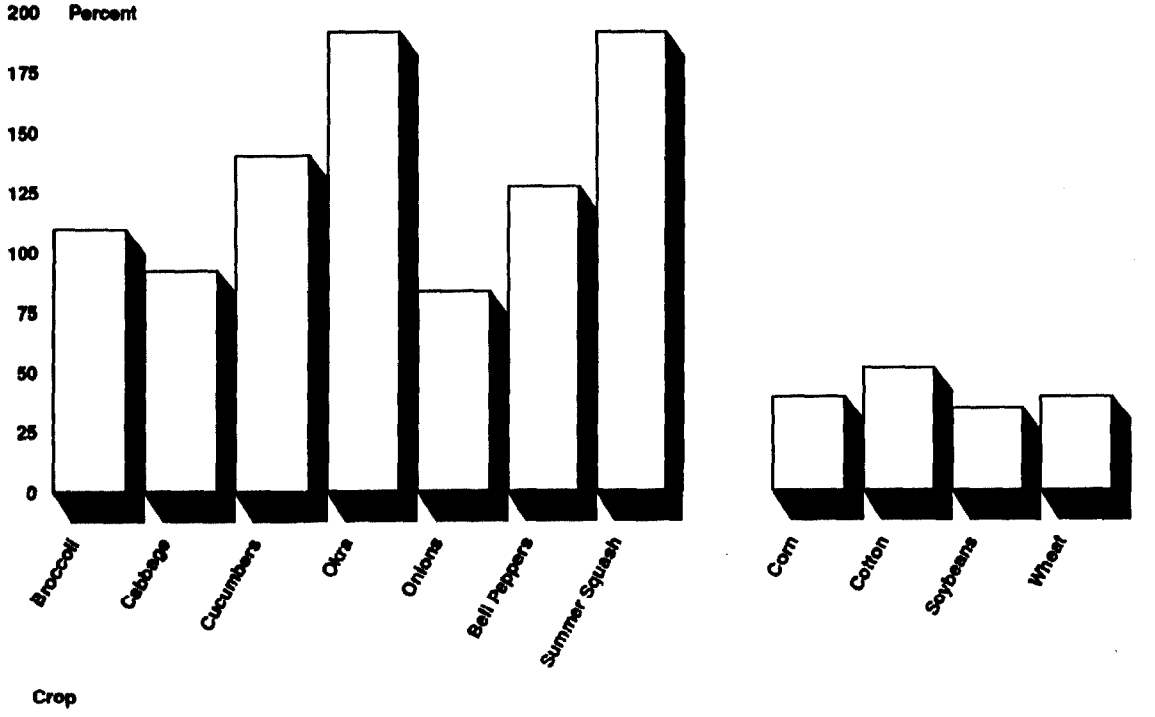
Production costs that a producer incurs for a crop up to the point of harvest include expenses for such items as field preparation, seed, fertilizer, and a return for the producer's labor and management. Harvesting costs, not incurred when a producer completely loses a crop, include the expenses for actually harvesting the crop and for any subsequent labor, management, and processing (such as cleaning, packing, and transporting the crop to market). Together, costs incurred prior to harvest and harvesting costs comprise a crop's total production cost.

Figures 4.1 and 4.2 show how differently disaster payments compare with production costs incurred for major nonprogram and program crops in Georgia and Southwest Texas, respectively. Specifically, disaster payments in 1989 for 14 major nonprogram crops (7 in each state) represented from 80 to over 190 percent of the crops' production costs prior to harvesting. For example, disaster payments represented over 190 percent of these costs for Georgia okra and summer squash, and about 170 and 180 percent for southwest Texas spinach and spring onions, respectively. In contrast, disaster payments on selected program

[2]Production costs prior to harvest were obtained from the cognizant state Extension Service offices because USDA does not generally maintain such costs for nonprogram crops.

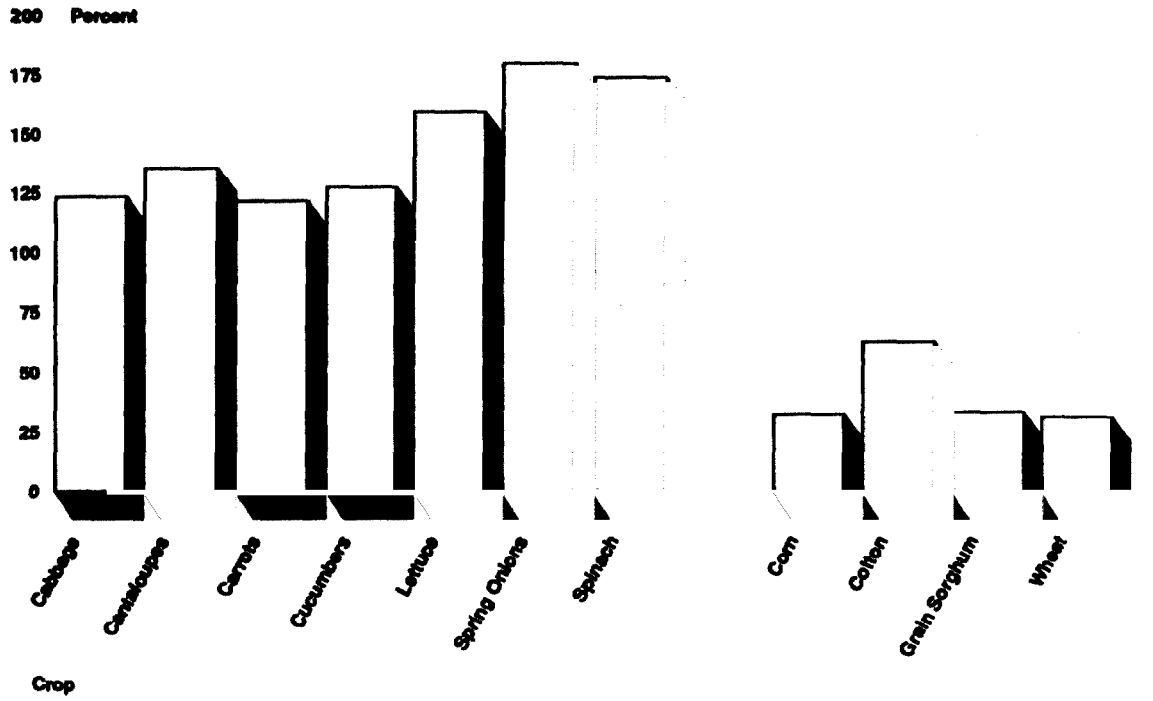
crops (corn, cotton, grain sorghum, soybeans, and wheat) represented about 30 to 60 percent of the crops' costs prior to harvesting.

Figure 4.1: Disaster Payments for Selected Georgia Nonprogram and Program Crops as a Percentage of Production Costs per Acre Prior to Harvesting



Note: We used (1) payment rates for fresh rather than processed crops and (2) production costs for irrigated nonprogram crops.

Figure 4.2: Disaster Payments for Selected Southwest Texas Nonprogram and Program Crops as a Percentage of Production Costs per Acre Prior to Harvesting



Note: We used (1) payment rates for fresh rather than processed crops and (2) production costs for irrigated crops.

It is likely that the disaster payments as a percentage of production costs prior to harvesting were even greater than illustrated above. This is because the costs that we used included some costs, such as irrigation, pesticide treatments, and fertilizer applications, that are generally incurred through harvest. However, in severe drought years, such as 1988 and 1989, not all of those costs would have been incurred because the quality of the crop would have deteriorated to the point where such investments were no longer cost-effective. Had we been able to estimate the point at which producers suffering major crop failure in 1988 and 1989 decided to cease incurring those costs, our analysis would have shown payments that were more excessive than the above figures indicate because the costs incurred prior to harvesting would have been less.

Producers May Have Taken Advantage of the High Disaster Payments

The excessive and inequitable disaster payments on nonprogram crops, as shown in our comparisons, may have encouraged producers to revise their crop plantings in 1988 and 1989 after the legislation was enacted in order to take advantage of the high disaster payments. According to a Georgia county executive director we visited, once disaster assistance legislation was announced in August, producers in some areas had time to plant other nonprogram crops before the year—and the disaster assistance period—ended. In some cases, producers increased the acres that they normally would have planted, or they changed their crops to obtain higher payments in the event of the loss of the crops, according to the director.

We found, for example, that one Georgia producer who planted 66 acres of soybeans—a program crop—in 1988 as a second crop (with an estimated maximum disaster payment of about $59 per acre) changed his planting to 90 acres of summer squash—a nonprogram crop—(with a maximum disaster payment of about $1,058 per acre) after disaster assistance legislation had been enacted in 1989. By changing the crop and acres planted, and then claiming the equivalent of a 99-percent loss of the crop, the producer received a payment of $93,882. Had the producer planted 66 acres of soybeans as he had done the previous year, the estimated maximum disaster payment he could have received is $3,894, or $89,988 less than he actually received. Although it would be difficult to determine exactly why this or any other producer decided to revise his or her planting, the opportunity for high payments that resulted from the disaster assistance programs in 1988 and 1989 cannot be overlooked as a strong motivator.

Obtaining Additional Data on the Cost of Production Could Be Expensive

The 1988 and 1989 acts required ASCS to use market prices to establish payment rates for nonprogram crops. ASCS officials stated, however, that market prices are not the best basis for determining payment rates when producers completely lose their crops and incur no harvest costs. In those cases, ASCS officials believe that payment rates should more closely reflect the actual production costs incurred. The officials indicate, however, that obtaining data on the cost of production for nonprogram crops would be costly.

Although Extension Service offices in most states have, for many years, collected and maintained data on the cost of production for major nonprogram crops grown in their locations, these offices use various sampling methodologies and presentation formats. For example, in one state we visited, the Extension Service office did not separate production

Overall Conclusions, Recommendation to the Congress, and Agency Comments

For nonprogram crops, ASCS does not routinely collect the key data (e.g., on acres planted, locations, expected yields, actual production, and prices) it collects on program crops. In practice, for nonprogram crops covered under ad hoc disaster assistance legislation in 1988 and 1989, the integrity of the data on which payments were based primarily depended on the honesty of the producers receiving the payments because, in most cases, the crop loss evidence was destroyed, making the data generally unverifiable. Thus, ASCS lacked assurance that the $1.3 billion in payments it made to producers of nonprogram crops were accurate and free from fraud, waste, and abuse.

In addition, because payment rates were legislatively required to be based on market prices received by producers rather than on actual production costs invested in the crop, some producers of nonprogram crops received payments covering costs that they did not incur—such as those for harvesting. Although we cannot determine whether an expanded effort to collect more detailed data would be cost-beneficial, payments would be more equitable if they were only based on rates representing production costs invested through the time of the disaster.

Determining how or whether ASCS could better administer ad hoc disaster assistance programs depends on the policy set by the Congress for dealing with agricultural disasters in the future. The Congress, for example, could continue to enact ad hoc disaster assistance legislation as it did in 1988 and 1989, recognizing that ASCS' implementation of the legislation will not address the shortcomings identified in this report. Another option, however, would be for the Congress, in anticipation of future disaster assistance programs, to require producers of nonprogram crops to keep historic production, cost, and sales records. Such records would better enable ASCS to ensure that payments made to producers of nonprogram crops are accurate.

Recommendation to the Congress

If the Congress continues to provide disaster assistance to producers of nonprogram crops, GAO recommends that the Congress consider ways of ensuring payment integrity at reasonable costs. This could be done through legislation that requires producers to keep historic production, cost, and sales records. Such records could then serve as a basis for determining the extent of disaster payments. These payments should be adjusted to more closely reflect actual costs.

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Agency Comments

In commenting on a draft of this report, USDA stated facts and conclusions that were similar to ours. Furthermore, USDA stated that it had expressed concern that no payment rate differentials were considered by the Congress for making payments to producers who had no harvesting expenses. Accordingly, all producers of a crop were paid at the same rate because ASCS had no authority to adjust rates. USDA believed ASCS implemented the 1988 and 1989 ad hoc disaster legislation in as efficient and uniform a manner as possible, considering the resources available, time constraints, limited data, and variety of nonprogram crops. USDA did not comment on our recommendation to the Congress.

1988 and 1989 Disaster Payments for Nonprogram Crops, by State

State	1988	1989	Total
Alabama	$11,335,460	$8,467,812	**$19,803,272**
Alaska	30,631	97,493	**128,124**
Arizona	108,942	217,913	**326,855**
Arkansas	3,148,938	7,117,072	**10,266,010**
California	8,999,564	11,707,592	**20,707,156**
Colorado	3,490,041	5,463,076	**8,953,117**
Connecticut	682,113	427,783	**1,109,896**
Delaware	1,362,182	1,351,943	**2,714,125**
Florida	11,653,140	13,364,985	**25,018,125**
Georgia	24,359,938	23,893,652	**48,253,590**
Idaho	18,408,130	4,864,150	**23,272,280**
Illinois	34,765,404	3,794,514	**38,559,918**
Indiana	16,733,908	2,674,945	**19,408,853**
Iowa	20,759,277	3,277,136	**24,036,413**
Kansas	13,064,057	5,281,481	**18,345,538**
Kentucky	8,558,951	682,292	**9,241,243**
Louisiana	1,605,875	3,798,326	**5,404,201**
Maine	492,584	920,767	**1,413,351**
Maryland	3,085,237	1,965,786	**5,051,023**
Massachusetts	1,881,903	1,186,001	**3,067,904**
Michigan	72,971,086	21,293,618	**94,264,704**
Minnesota	66,409,654	7,587,320	**73,996,974**
Mississippi	10,817,097	5,236,966	**16,054,063**
Missouri	19,180,353	3,901,667	**23,082,020**
Montana	43,992,295	4,438,121	**48,430,416**
Nebraska	6,764,874	6,883,837	**13,648,711**
Nevada	2,251,470	1,038,212	**3,289,682**
New Hampshire	38,924	136,473	**175,397**
New Jersey	16,707,610	12,293,269	**29,000,879**
New Mexico	1,354,031	1,904,759	**3,258,790**
New York	20,661,296	9,232,144	**29,893,440**
North Carolina	7,705,962	7,567,887	**15,273,849**
North Dakota	82,684,920	38,680,268	**121,365,188**
Ohio	18,434,627	5,269,490	**23,704,117**
Oklahoma	19,689,859	6,023,588	**25,713,447**
Oregon	3,561,320	4,561,920	**8,123,240**
Pennsylvania	9,887,002	3,610,229	**13,497,231**
Puerto Rico	0	915,632	**915,632**
Rhode Island	2,521	0	**2,521**
South Carolina	7,021,020	6,475,608	**13,496,628**

(continued)

State	1988	1989	Total
South Dakota	51,710,602	23,722,112	**75,432,714**
Tennessee	9,630,033	8,271,121	**17,901,154**
Texas	55,895,470	49,592,794	**105,488,264**
Utah	7,397,154	5,182,030	**12,579,184**
Vermont	650,929	209,235	**860,164**
Virginia	3,317,021	1,880,331	**5,197,352**
Washington	14,982,151	4,517,475	**19,499,626**
West Virginia	3,388,762	1,166,696	**4,555,458**
Wisconsin	241,111,801	7,745,725	**248,857,526**
Wyoming	6,095,301	2,790,771	**8,886,072**
Total	**$988,841,420**	**$352,684,017**	**$1,341,525,437**

1988 and 1989 Disaster Payments for Major Nonprogram Crops

Crop	1988	1989	Total
Hay, alfalfa	$245,832,502	$38,503,005	**$284,335,507**
Hay, mixed	241,118,371	24,274,696	**265,393,067**
Watermelons	20,656,653	17,937,723	**38,594,376**
Apples, fresh	22,172,143	9,210,949	**31,383,092**
Peaches, fresh	11,723,021	18,381,284	**30,104,305**
Potatoes, fresh	21,648,248	6,194,645	**27,842,893**
Pecans	15,561,939	8,310,096	**23,872,035**
Tomatoes, fresh	11,876,571	9,730,878	**21,607,449**
Hay, native grass	14,334,638	6,755,781	**21,090,419**
Cucumbers, fresh	10,850,855	8,785,824	**19,636,679**
Sunflower seeds, oil	12,309,999	6,366,589	**18,676,588**
Beans, pinto	8,361,025	9,470,160	**17,831,185**
Corn, sweet, fresh	13,555,497	2,975,608	**16,531,105**
Pea beans	8,123,279	7,882,416	**16,005,695**
Onions	10,490,286	4,583,729	**15,074,015**
Cantaloupes	6,758,156	7,132,052	**13,890,208**
Hay, small grain	12,379,752	352,470	**12,732,222**
Hay, coastal bermuda	9,656,495	1,560,335	**11,216,830**
Pecans, improved	2,043,280	8,916,460	**10,959,740**
Potatoes, processed	8,282,223	2,384,844	**10,667,067**
Cabbage, fresh	6,445,404	4,038,285	**10,483,689**
Squash	5,905,243	4,511,036	**10,416,279**
Pumpkins, fresh	6,414,121	3,718,510	**10,132,631**
Peas, green	8,332,815	1,250,297	**9,583,112**
Potatoes, sweet, fresh	6,062,831	3,434,291	**9,497,122**
Peppers, sweet (bell, etc.)	5,461,275	3,254,910	**8,716,185**
Seed, crested wheatgrass	7,689,892	974,791	**8,664,683**
Tomatoes, processed	5,276,951	3,311,922	**8,588,873**
Beans, snap green, fresh	4,758,769	3,464,496	**8,223,265**
Pecans, native	1,283,271	6,879,134	**8,162,405**
Apples, processed	4,834,173	2,606,506	**7,440,679**
Seed, intermediate wheatgrass	5,390,124	1,877,517	**7,267,641**
Squash, summer	3,507,398	3,616,299	**7,123,697**
Blueberries, fresh	3,782,944	2,792,462	**6,575,406**
Beans, snap green, processed	5,270,517	1,188,495	**6,459,012**
Cucumbers, processed	4,564,227	1,888,158	**6,452,385**
Cherries, processed	4,747,260	1,535,252	**6,282,512**
Squash, winter	3,396,656	2,778,070	**6,174,726**
Flax	4,543,941	1,350,383	**5,894,324**

(continued)

Crop	1988	1989	Total
Blueberries, processed	3,749,148	2,006,220	**5,755,368**
Strawberries	4,010,264	1,716,113	**5,726,377**
Sunflower seeds, nonoil	3,139,915	2,565,866	**5,705,781**
Corn, sweet, processed	5,280,157	418,946	**5,699,103**
Hay, brome	4,199,209	1,345,775	**5,544,984**
Hay, sudan grass	4,590,203	883,436	**5,473,639**
Millet	3,590,206	1,679,817	**5,270,023**
Popcorn	4,809,457	406,484	**5,215,941**
Seed, kentucky bluegrass	4,026,398	614,427	**4,640,825**
Honey, table	0	4,459,977	**4,459,977**
Seed, alfalfa	2,803,972	1,389,730	**4,193,702**
All other nonprogram crops	143,239,746	81,016,868	**224,256,614**
Total	**$988,841,420**	**$352,684,017**	**$1,341,525,437**

Comments From the U.S. Department of Agriculture

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MAY 21 1991

Mr. John Harman
Director, Food and Agriculture Issues,
Resources, Community,
and Economic Development Division
441 G Street, N.W., Room 4075
Washington, D.C. 20548

Dear Mr. Harman:

Under the Disaster Assistance Acts of 1988 and 1989, the Agricultural Stabilization and Conservation Service (ASCS) provided disaster assistance to thousands of producers of program and nonprogram crops. Approximately $4.7 billion was expended on production losses on about 480 crops.

Historically, programs implemented by ASCS have been limited to program crops. Therefore, sufficient acreage, historical yield, and price data is available. In contrast, very little data has ever been recorded by ASCS or other government agencies for nonprogram crops. This fact, coupled with time restraints for implementing the programs, created several areas of weakness in the programs.

In 1988 and 1989 disaster legislation was enacted late in or after the growing season so that evidence of the loss, or in some cases evidence of the crop ever having been planted, was not apparent. Another crop may have been planted before the disaster affected crop acreage was reported and production had been disposed of, which meant that ASCS had to rely on the integrity of the producer to report data that could not be verified. This problem can only be corrected by requiring ASCS to maintain historical acreage and production data for nonprogram crops. To do this, in uncertain anticipation of future disaster legislation, would be very costly.

Payment rates and yields were established for nonprogram crops with as much accuracy as possible considering the lack of information. National Agricultural Statistics Service (NASS), as USDA's official source for statistical data, was the primary source for prices and yields. However, historically, NASS has accumulated data only for program crops and major nonprogram crops. Data was also solicited from other agencies as well as applicable industries and institutes. In an effort to ensure more accuracy and consistency, adjoining State ASCS offices coordinated payment rates and yields for crops common to similar States.

USDA expressed concern that no payment rate differentials were considered by Congress for making payments to producers that were prevented from planting and had no harvesting expenses, versus those producers that had harvesting expenses, but produced a low yield. All producers of a crop were paid based on the same rate because ASCS had no authority to adjust rates.

We believe that ASCS implemented the 1988 and 1989 Ad Hoc Disaster legislation in as efficient and uniform a manner as possible. State Agricultural Stabilization and Conservation committees did the very best they could with the resources available, considering the time constraints, limited available data, and the variety of nonprogram crops.

Sincerely,

John Campbell

Under Secretary for International
Affairs and Commodity Programs

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