



Economic Report

Office of Regulatory Policy
Agricultural and Economic Policy Team

August 24, 2016

Summary

Historic rainfall inundated southern parts of Louisiana and Mississippi during August 10-13, 2016. Initial reports from USDA indicate significant local agricultural damage. Some growers are expecting to lose at least 40% of their rice crop and at least 25% of their soybean crop. As of August 21, some sugarcane was still standing in water, and growers fear that yields may be impacted. Despite the local damage, state-wide conditions for all reported crops were mostly either “fair,” “good,” or “excellent.”

Farmer participation in the federal crop insurance program is high, and indemnities will cover some of the crop losses. More than 90 percent of acreage in Louisiana is typically insured for major crops, including soybeans, rice, corn, cotton, wheat, and grain sorghum. In 2016, farmers purchased significant coverage (with deductible of 30% or less) on cotton, peanuts, and corn. Farmers who purchased less coverage will need to suffer a relatively large loss before an indemnity is paid. Crops with relatively low coverage levels include wheat, sugarcane, sweet potatoes, and oats.

Producers with livestock or forage losses may be eligible for USDA’s livestock disaster programs.

System associations with territory in the region include Louisiana Land Bank (one-third of the association’s loan portfolio is crop-related), First South (one-fifth), and Southern AgCredit (one-sixth).

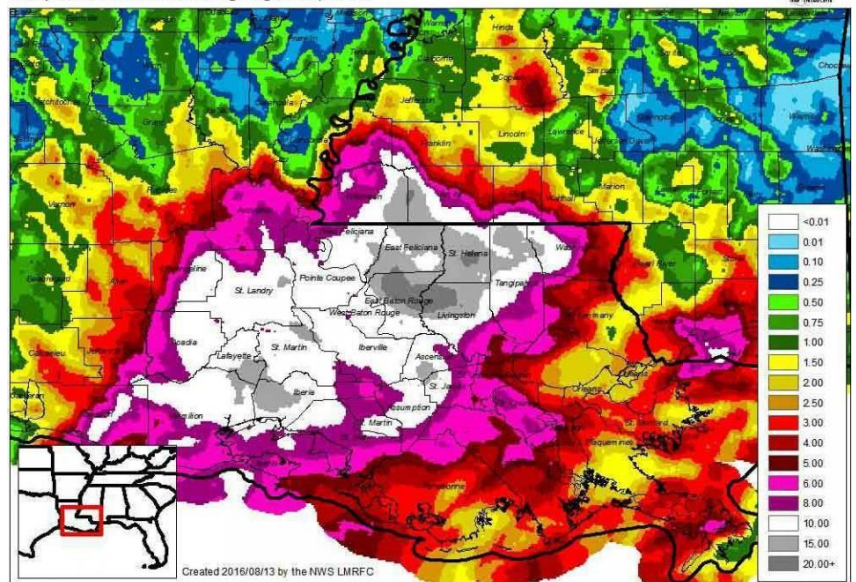
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Louisiana Flood Impacts and Managing Farm Risk

A slow-moving low-pressure weather system dumped up to two feet of rain on parts of southern Louisiana and Mississippi during August 10-13, 2016. The Lower Mississippi River Forecast Center declared it a “100-year” or “1,000-year” rain event, depending upon location. Historic flooding occurred along the Amite, Comite, Tickfaw, and Tangipahoa Rivers. A number of parishes received more than 15 inches of rainfall (gray areas in map below). The event had major impacts on the population in the region.

Best-Estimate Rainfall

2 day rainfall estimate ending August 13, 2016.



Source: National Weather Service.

Impacts on Agriculture

Initial reports indicate significant local agricultural damage. USDA’s Crop Progress and Condition Report for Louisiana released on August 22 indicated damage to major crops produced in the state. Comments from extension agents in flooded parishes include:

- Rice harvest was well on its way to completion but was halted by rain. Rice heads sprouting have been reported. Fields have water backing up on them from the bayou’s overflowing and cannot be drained. Some rice growers are expecting to lose at least 40% of their yield potential.
- Some soybeans were completely submerged underwater, and harvest is delayed. For some, at least 25% of the soybean crop has been lost.
- Some cane is still standing in water, and growers fear that yields may be impacted.
- Cattle producers in low lying areas lost some calves and hay.

Despite the local damage, crop conditions state-wide as of August 21 were mostly either “fair,” “good,” or “excellent” (see table). For all crops except rice, conditions were “poor” or “very poor” for just 15 percent or less of the crop. Rice conditions were “poor” or “very poor” for 17 percent of the crop.

Producers and officials continue to monitor crop conditions, and these figures are updated weekly.

The market impact has been limited to rice. Futures prices for rice surged after the flood on concerns over possible harvest losses due to flooding in Louisiana along with heavy rain in Arkansas.

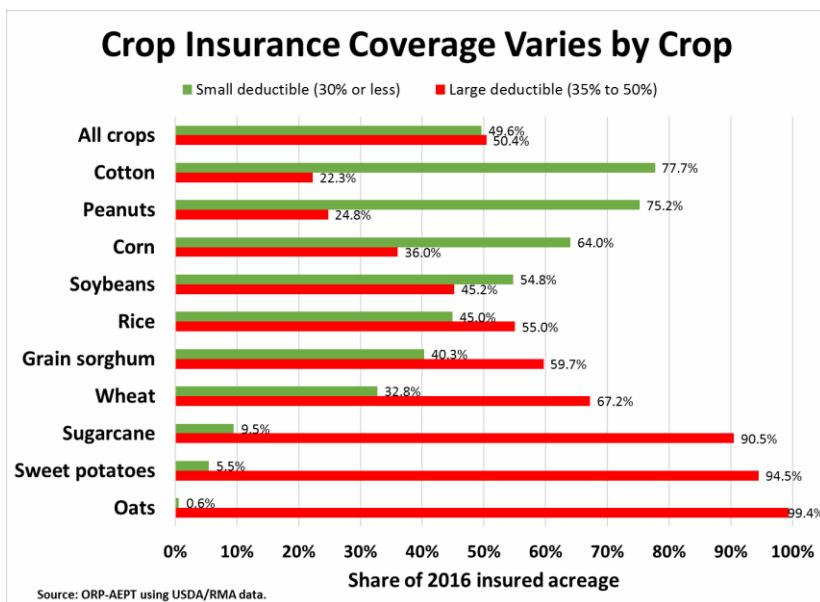
Crop condition for week ending August 21, 2016

Louisiana	Very poor	Poor	Fair	Good	Excellent
	Percent	Percent	Percent	Percent	Percent
Corn	2	11	37	46	4
Cotton	0	5	31	59	5
Livestock	1	5	25	64	5
Pasture	3	12	35	45	5
Rice	6	11	30	50	3
Sorghum	0	15	30	43	12
Soybeans	2	10	25	54	9
Sugarcane	1	6	40	39	14
Sweet Potatoes	0	1	21	74	4
Vegetables	1	14	34	50	1

Crop Insurance Participation Is High, but Coverage Varies

Farmer participation in the federal crop insurance program is high, and indemnities will cover some of the crop losses for many farmers. A major benefit for producers is the timely payment of indemnities—about 30 days after the farmer signs the claim form. Like other states, more than 90 percent of acreage in Louisiana is typically insured for major crops, including soybeans, rice, corn, cotton, wheat, and grain sorghum. In total, nearly 3 million acres are insured each year in Louisiana. Total crop acreage in Louisiana is about 3.5 million acres.

In 2016, farmers purchased significant coverage on about half of insured acreage, with a deductible of 30% or less – see green bars in chart. The other half of insured acreage has a deductible between 35% and 50% (latter is called catastrophic coverage) – see red bars. Purchased coverage is greatest for cotton, peanuts, and corn. Farmers who purchased less coverage (i.e., a larger deductible) will need to suffer a relatively large loss before an indemnity is paid. Crops with relatively low levels of purchased coverage include wheat, sugarcane, sweet potatoes, and oats.



Farm Bill Programs for Livestock Losses

Reports from extension agents also indicate impacts on livestock producers, including animal death and forage loss. These producers may be eligible for payments under livestock disaster programs administered by USDA’s Farm Service Agency. The Livestock Indemnity Program (LIP) provides payments to eligible livestock owners and contract growers at a rate of 75% of market value for livestock deaths in excess of normal mortality caused by adverse weather. For forage losses, producers may be eligible for the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), which provides compensation for losses due to adverse weather and feed/water shortages.