Agricultural Marketing Policy Center
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BRIEFING

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Noninsured Crop Disaster Assistance Program

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Objective
Analysis
for Informed
Decision Making

Introduction:

Farm managers evaluating whether or not to expand their existing crop rotations with the introduction of alternative crops are usually concerned with managing additional production risks.

Farm managers, through their crop insurance agents, may readily determine whether there are offerings of multiple peril crop insurance for the alternative crops they are considering. Crop insurance agents can determine whether or not there are risk management actuarial tables for the subject crops available in the counties where the production is being considered.

If Risk Management Agency actuarial tables are available for the subject crops in the county, then producers may work with their crop insurance agent to obtain the production risk coverage they desire through multiple peril crop insurance offerings. If their choices are to not purchase multiple peril crop insurance offerings, they have chosen to self-insure or they have chosen forms of private sector singular peril coverage available for particular crops. With the choice not to purchase multiple peril offerings they have no other mitigation avenues available in the public sector to cover production losses.

Eligible NAP Crops:

If Risk Management Agency actuarial tables are unavailable for the alternative crops under consideration, farm managers have two primary avenues to pursue. They may file a *Request for Actuarial Change* with their crop insurance agent (the subject of a separate *Briefing*). Or they may rely on the Farm Service Agency's Noninsured Crop Disaster Program (NAP). Among the Montana crops often covered by NAP are grains produced for hay, as there are no crop insurance offerings for grain hay.

In Montana the only insurable crops eligible for NAP coverage are the hay-type barley varieties intended for *grain* and *overage* stands of irrigated alfalfa and alfalfa-grass mixtures intended for forage. (Note that *overage* nonirrigated alfalfa and mixtures intended for forage are not covered).

Ineligible NAP Crops in Montana:

The following situations have been determined by the Montana Farm Service Agency's state committee to be ineligible for NAP coverage. These situations have been determined by the Risk Management Agency (RMA) to be poor farming practices:

- Crops planted in FCIC unrated map areas.
- Crops planted on new breaking from native sod.
- Failure to follow recommended crop rotations stated in FCIC Special Provisions and RMA crop policy provisions.
- Failure to follow approved maintenance schedules for orchards.
- Failure to produce the minimum production requirements as established under crop provisions such as cherries.
- New seedings of perennial crops including alfalfa, grass, and mixtures on both irrigated and nonirrigated acreage are not eligible in the year of establishment.

The NAP Program:

The Noninsured Crop Disaster Program (NAP) provides financial assistance to eligible producers affected by natural disasters. This program covers noninsurable crop losses and prevented plantings resulting from natural disasters.

Eligible crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber for which the catastrophic level of crop insurance is unavailable.

An eligible producer is a landowner or tenant who shares in the risk of producing the crop.

Eligible Natural Disasters:

An eligible natural disaster is any of the following:

- **damaging weather** such as drought, excessive moisture, or hurricane
- **adverse natural occurrence** such as an earthquake or flood
- **related condition** such as excessive heat or insect infestation associated with damaging weather or an adverse natural occurrence.

Applying for NAP Coverage:

To apply for NAP coverage eligible producers must file their *Applications for Coverage* and pay the applicable service fees at their local Farm Service Agency offices.

Applications and service fees must be filed by the application closing date as established by the state-level Farm Service Agency committee. (Generally NAP closing dates will correspond to crop insurance closing dates. For instance, the closing date for many spring-planted crops will be March 15).

The service fee schedule is as follows: $100 per crop per county; or, $300 per producer per administrative county; with the total fees not to exceed $900 per producer in all counties. Limited resource farmers may request a waiver of fees.

By crop NAP is offered at the basic unit level. A basic unit for NAP purposes follows the definition used for crop insurance underwritten by the Risk Management Agency, USDA. For instance, a basic unit for an owner/operator may be all of a subject crop in the owner/operator has 100 percent interest in a county. If the same person had a 50 percent share as the operator in the same crop with two landlords, the two arrangements would likely constitute a separate basic unit. Unlike crop insurance, enterprise and optional units are not employed for NAP coverage.

Coverage Periods:

The coverage period for NAP depends on whether an annual or perennial crop is under consideration.

The coverage period for annual crops begins the later of: (1) 30 days after the producer applies for coverage and pays the applicable fees: or (2) the date the crop was planted, not to exceed the final planting date. (Final planting dates will vary by crop. Farm managers will need to confer with Farm Service Agency personnel to identify final planting dates for subject crops). The coverage period for an annual crop ends the earlier of: (1) the date the producer completes the crop harvest; (2) the normal harvest date for the crop; (3) the date the crop is abandoned; or (4) the date you destroy the entire crop acreage. (Normal harvest dates will vary by crop. Farm managers will need to confer with Farm Service Agency personnel to identify normal harvest dates for subject crops).

The coverage period for perennial crops always begins 30 calendar days after the application closing date and ends the earlier of: (1) 10 months from the application closing date; (2) the date the producer completes harvest: (3) the normal harvest date for the crop; (4) the date the crop is abandoned; or (5) the date when you will destroy the entire crop acreage.

Reporting Crop Acreage and Production Information:

To remain eligible for NAP assistance, farm managers must annually report both acreage and production information. Local FSA offices can advise producers of reporting dates.

Farm managers should report crop acreage soon after planting. The farm manager must report the following crop information:

- name of the crop, i.e.; *clover*
- type and variety, i.e., *red*
- location and acreage of the crop
- producer's share of the crop and the names of other producers with an interest in the crop
- type of practice used to grow the crop, i.e., *irrigated*
- date the crop was planted–by field if there are several; and
- intended use of the commodity, i.e., *processed.*

Additionally, the farm manager must annually provide the following production information:

- the quantity of all harvested production of the crop in which you have an interest during the crop year
- the disposition of the harvested crop, such as whether it was marketable, unmarketable, salvaged, or used differently than intended
- verifiable or reliable production records, when required.

The Farm Service Agency (FSA) uses the acreage information to verify that crops exist and to record the number of acres of the subject crop. Acreage information is combined with the production data to calculate an *approved yield*–expected production for the crop year. An approved yield for a crop for an individual producer is usually the average of the producer's actual production history (APH) for a minimum of 4 to a maximum of 10 years.

NAP Assistance After a Disaster:

When an eligible producer's crop or planting is affected by a natural disaster, the farm manager must notify the local FSA office and complete the *Notice of Loss* section of the *Application for Payment* form, within 15 days of the following:

- natural disaster occurrence
- final planting date, if the farm manager's planting was prevented by a natural disaster
- date damage to the crop or loss of production becomes obvious to the producer
- the normal harvest date.

To receive NAP benefits the farm manager must fully complete the *Application for Payment* form prior to the acreage reporting date for the subsequent

year crop. For 2003 crop year NAP coverage, the deadline will be July 15, 2004, for all commodities except honey which would be December 1, 2004.

In order for a farm manager to receive any NAP payment, the natural disaster must have either:

- reduced the expected unit production of the crop by more than 50 percent or
- prevented the producer from planting more than 35 percent of the intended crop acreage.

FSA compares expected production (producer's approved yield), the production expected in the absence of a natural disaster, to the actual production to determine the percentage of crop loss.

FSA Calculation of NAP Payments:

NAP covers the amount of a production loss greater than 50 percent of the producer's expected production, based on the producer's approved yield and reported acreage.

The per unit of production payment rate that FSA specifies is 55 percent of the average market price for the specific commodity, as established by the state FSA committee.

The calculated NAP payment may be reduced by a payment factor reflecting the decrease in production costs incurred in the crop production cycle for the crop that is harvested, unharvested, or prevented from being planted. Payment factors will vary by crop. For instance, dry peas might have a factor of 1.0 if the crop is harvested, 0.93 if the crop is unharvested, or 0.60 if there is prevented planting.

Consider as an example an eligible producer of exotic peas, a hypothetical crop. The producer's expected production based on the approved yield is 1,600 pounds per acre. The state FSA committee established an average market price of $0.06 per pound.

Due to a severe drought the producer harvested only 380 pounds of exotic peas per acre. The producer's total loss from the expected production is 1,220 pounds (1,600 pounds - 380 pounds). Because this is a 76.25 percent loss, (i.e. greater than the 50 percent threshold), the producers will receive a NAP payment. NAP cover production losses in excess of 50 percent of expected production. The production loss covered is 420 pounds (1,220 pound loss -1,600 pounds x 0.50). For exotic peas, the FSA payment rate will be $0.033 per pound, ($0.06 per pound x 0.55). So, the producer's per acre gross NAP payment will be $13.86, (420 pounds covered loss per acre x $0.033 per pound). If the payment factor for peas that are harvested is 1.0, then the producer will receive the NAP gross payment of $13.86 per acre. This particular producer had 100 acres of exotic peas, so the producer's total NAP payment would be $1,386.

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