

USDA Farm Service Agency Quality Loss Provisions and Example for Forage under Noninsured Crop Disaster Assistance Program (NAP)

Quality loss coverage is now available for forage as a component of NAP coverage at the “buy-up” levels for losses resulting from eligible causes. “Buy-up” coverage is available at 100% of the value of the crop, ranging from a low of 50% to 65% of the yield of the crop. It was first made available for the 2016 crop year.

This example was prepared by the NYS Department of Agriculture and Markets crop insurance education team. It does not completely specify all eligibility criteria. Program specifics and producer applicability must come from the USDA Farm Service Agency in the producer’s county.

The following are some major aspects of NAP Forage Quality Loss provisions:

- Eligibility is based on careful adherence to filing of Notices of Loss for all cuttings impacted by eligible causes, and careful documentation of details related to forage samples and tests.
- The intended use must be forage. Grazing purposes are not eligible
- Forages are insured by “pay group”: Alfalfa; Alfalfa/grass mixes; Grasses. Each is handled with separate coverage under NAP.
- Forage considered under these provisions for Quality Losses must be harvested. Forage left in the field because of legitimate and documented weather related causes may be considered as tonnage (Quantity) lost.
- NAP coverage is not eligible if the “type” of forage is insurable through Crop Insurance; i.e. Alfalfa and alfalfa/grass mixes are insurable in eight New York counties.
- Quality loss must have resulted from an eligible cause as specified in the NAP Handbook, to be approved by the FSA County Committee. A favorable decision would depend on the COC determining that the producer did everything possible to properly cure the hay and that the loss occurred due to an eligible cause as specified by basic NAP provisions (hay forage must be harvested).
- Relative Feed Value (RFV) must be documented by analysis with properly collected and timely sample processed by one of eight NY approved laboratories (check with FSA for lab eligibility).

- Ranges of RFV are established for each forage type: A High level is set when the forage begins to suffer a quality loss and decreases to a low level when the forage is no longer viable as a feed.

Forage Categories	Low RFV	High RFV
Alfalfa	75	151
Alfalfa mix	75	151
Other hay	60	111
Small grain	78	120
Sorghum forage	71	109

- Any forage analysis must be collected at harvest, as opposed to taking samples from stored production with adequate samples per lot and must specify:
 1. the quantity affected (supported by acceptable production records)
 2. the variety (pay group) of the forage (example: Alfalfa, grass, mixed forage)
 3. the cutting number ex. 1st, 2nd, 3rd)
 4. Wet Forage Quantity will be converted to a dry matter basis. Quantity must be represented in on dry matter basis
- Timely filed Notice(s) of Loss must document producer’s intent to process quality loss claims and/or quantity losses.
- Different pay groups or varieties cannot be commingled– varieties must be sampled separately.

Loss calculation Example (alfalfa-grass mix)

Eligibility for payment depends on careful adherence to all eligibility criteria as communicated officially by the USDA Farm Service Agency.

A farmer has purchased the maximum 65% buy-up forage coverage through the USDA-Farm Service Agency Noninsured Crop Disaster Assistance Program (NAP). He will have 250 acres of cropland in forage of verifiable alfalfa mixes in 2016 that he certifies with FSA as AGM (alfalfa –grass mixes).

His Approved Yield with FSA is 4.0 tons per acre. Let’s assume he has a three cut system and his yields per cutting are 40% in the first, and 30% for each the second and third cuttings. Normal yields would be 4.0 tons on 250 acres = 1000.0 tons: 400 tons– first; 300 tons– for second and third.

To illustrate the newly announced forage quality protection offered with NAP coverage, let's presume 2016 brings a scenario similar to what occurred in 2015: after an extremely cold winter, spring started out quite dry; June and July were rainy, and then August – September were dry again.

First cutting hay harvested timely was lower than normal in most of NYS. Second cutting was a challenge to make timely or well. Forages grew but, quality was likely to have been impacted. Later cuttings were again low in volume due to drought conditions.

So, the farmer's first cutting was down 40%, as reportedly many experienced; second cutting was delayed or impacted by mid-season rains, and later cuttings were again short by 25%. A Notice of Loss form, CCC-576, would be needed within 15 days of realization of eligible causes impacting covered crops--- in this case a Notice of Loss would be filed relative to each hay cutting. The numbers might have gone as follows;

First cutting:

Normal yield: 400 tons less 40% due to drought conditions = 240 tons

Second cutting:

1. Relative Feed Value documented by analysis: 100.
2. For alfalfa – grass mixes, the high level RFV when a loss would start to be realized is 151.
3. 151 minus 100 = an actual loss of 51 points of RFV has been experienced.
4. To determine the percent loss, subtract the county's low RFV from the high RFV, 151 to low, 75, (151- 75) is 76. The actual loss experienced, 51 , is then divided by 76 (the possible range) = 67.11%.
5. Normal second cutting yield of 300 tons times 67.11% = 201.33 tons production not to count, so if normal yield was actually harvested 300.0 tons per acre were made, but due to quality 201.3 is deducted, 98.67 tons remain to count).

Third cutting:

Normal: 300 tons less 25% due to drought conditions = 225 tons harvested.

Total crop = 240 +98.67 +225 tons= 563.67

250 acres x 4.0 (approved yield) = 1000.0 x 65% coverage level = 650.0 ton (Guarantee trigger), less the Actual yield of 563.67 tons = 86.33 tons.

The producer would get paid \$10,906.07 for loss equivalent 86.33 tons at \$126.33 per ton for alfalfa-grass mixed hay, based on proper and timely filing of Notices of Loss for each cutting where losses were experienced, and documentation determined to appropriately establish the eligibility and nature of the cause of the loss. Without Quality Loss provisions, the producer's normal second cutting yield would have produced a total of 765 tons, which is above the guarantee and would yield no payment.

The premium for the 65% Buy-up coverage at this guarantee level would be \$4311, plus the service fee of \$250.

For more information about NAP, contact FSA at your county Farm Service Center: www.fsa.usda.gov. For more information about risk management and crop insurance visit the NYS Department of Agriculture and Markets website at www.agriculture.ny.gov/AP/CropInsurance.html or the USDA Risk Management Agency website at www.rma.usda.gov. To discuss or purchase crop insurance, contact a crop insurance agent. To locate an agent, ask a neighbor for a recommendation, use the agent locator tool at www.rma.usda.gov/tools/agent.html or ask your county Farm Service Agency to print out a current list of crop insurance agents doing business in your county.

Note: This example is based on New York State NAP prices for 2016. Check with your local USDA-Farm Service Agency for current prices and yield guarantees as they are subject to change annually due to rolling averages.

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USDA and the New York State Department of Agriculture and Markets work together to bring risk management opportunities to the attention of New York producers.



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