

The Non-Insured Crop Disaster Assistance Program for Comparison with the Whole Farm Revenue Crop Insurance Program

NYS Department of Agriculture and Markets

Crop Insurance and Risk Management Education

<http://www.agriculture.ny.gov/AP/CropInsurance.html>

1-800-554-4501



Risk Management Agency

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is an equal
opportunity
provider."*



Sarah Johnston, Organic and Risk Management Specialist with the NYS Department of Agriculture and Markets, is giving the audio presentation.

What We Will Cover

- USDA Risk Management Programs for all agencies
- Relevant Crop Insurance Concepts
- NAP – the Non-Insured Crop Disaster Assistance Program

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If you are a farmer, then the United States Department of Agriculture programs may be useful to you. Think of it this way....Farmers have been an essential part of the US economy for centuries. Academic studies, on-farm applied research, economic assessments and history have provided society with insight into what can make farming less risky. Unlike other businesses, farmers cannot control the weather or “Mother Nature.” Consequently, government provides programs that can benefit participating farmers. If you participate, then the benefits designed into the program can make your farm operation less risky and potentially more profitable in both the short and long term.

Categories of Risk Mgt. Programs in the New Farm Bill

- **Disaster Programs**
- **Income Support**
- **Loan Programs**
- **Conservation Programs (admin)**
- **Crop Insurance**

Farm programs are created by, modified by and discontinued by the US Congress in the form of a 5-year program bill. The most recent Farm Bill was passed in early 2014 and its programs and provisions will remain in place through 2018.

Farm bill programs fall into the general categories above. All of these programs EXCEPT crop insurance are administered by the USDA Farm Service Agency. (There are other programs of interest to farmers, including grant programs on renewable energy and value-added expansion that are administered by USDA Rural Development. Most programs have an application deadline every year. Interested farmers should contact the NY office of Rural Development in Syracuse.)

Risk Management Programs
administered by the Farm Service Agency

Disaster Programs

- ELAP – Emergency Assistance for Livestock, Honeybees, & Farm-Raised Fish
- LFP - Livestock Forage Disaster Program
- LIP - Livestock Indemnity Program
- TAP - Tree Assistance Program
- **NAP (its new buy-up provisions are somewhat similar to crop insurance)**

All these programs are administered by the Farm Service Agency (FSA). There is a fact sheet for each one on the USDA FSA website.

Risk Management Programs administered by the Farm Service Agency

INCOME SUPPORT PROGRAMS

- ARC/PLC – Agricultural Risk Coverage or Price Loss Coverage for commodity producers with registered “base acres.”
- MPP – Margin Protection Program for dairy
- Marketing Assistance Loans

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Again, these programs are explained in depth in fact sheets on the USDA FSA website.

The ARC/PLC programs are an either/or choice for farmers with existing “base acres” of one or more of the commodity crops grown in NY (corn, soybeans, oats, barley, wheat, grain sorghum). Both are considered income support programs. They issue participating farmers a payment under the terms of the programs (rather than a loss situation that has occurred on their farm). Sign-up for either ARC or PLC is a one-time choice for the life of the Farm Bill, through 2018.

The Margin Protection Program is a margin protection program for dairy producers and includes a method for new dairy farmers to enter the program. Sign-up for MPP is an annual choice.

Marketing Assistance loans are available for commodity crops on terms associated with the crop and year.

Crop Insurance – Created by the Federal Government

- Available by crop by county
- Usually available due to historical and continuing production history, as reported by USDA NASS – the National Agriculture Statistics Service
- Heavily subsidized by the Federal Government. Without USDA, there would be no comparable crop insurance products.

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The federal government creates crop insurance policies for the entire country and then makes them available on a county by county basis, where there is enough of the crop produced to meet their standards (which vary by crop). There are a few privately created crop insurance products mostly sold in the grain belt, for very limited causes of loss. Hail crop insurance is a common term that makes it clear what the single cause of loss is that the insurance is covering.

Crop Insurance Benefits

- ✔ Reduces risk and increases long term profitability.
- ✔ Minimizes the cost of replacing crop losses.
- ✔ Reduces the risk associated with pre-harvest crop pricing.
- ✔ Provides security for operating loans.
- ✔ Provides an additional financial safety net for beginning farmers

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Crop insurance provides producers with the opportunity to safeguard their annual production income. As dairy farmer David Wood says, “I’m not an insurance man...” “but crop insurance is part of long-term farm profitability.”

Crop Insurance Concept – Causes of Loss or Insured Perils

Most crop insurance policies for corn, soybeans, oats and other crops contain a list of the causes of loss that a policy will pay out on. In general, these are:

- Adverse weather, including hail, frost freeze, drought, and excess precipitation
- Fire, if due to natural causes (lightening)
- Insects & Plant Disease, but not damage due to insufficient or improper applications of pest or disease control measures
- Wildlife
- Failure of irrigation water supply, if due to an insured cause of loss within the insurance period

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Like insurance for your home or business, the causes of loss are critical. For example, flood insurance is not included in most homeowners' insurance for their dwelling. If the cause of loss isn't listed, then damage by that cause of loss is not covered. Why does the federal government do this? Many historical reasons, but another way to think of it is if there is a terrible wet spell, a donut shop will still have products and people who are buying from them, as does a department store, as does a factory. If a farmer's crop rots in the field because it is too wet to harvest, it isn't the farmer's fault. Farmers can't stay in business if they constantly lose crops and the money they put into planting the crop. Consequently, crop insurance is partially subsidized with taxpayer dollars. The details of both farmer premiums and federal subsidies are available on the USDA RMA website.

Crops with Crop Insurance Policies Available in New York State

Apiculture (all counties)	Nursery (all counties)
Apples (25 counties)	Oats (46 counties)
Feed-grade Barley (15 counties)	Onions (12 counties)
Dry Beans (13 counties)	Pasture & Hayland (all counties)
Cabbage (3 counties)	Peaches (6 counties)
Corn and corn silage (52 counties)	Potatoes (15 counties)
LGM – Dairy, Swine (all counties)	Soybeans (38 counties)
Forage Production (8 counties)	Fresh-market Sweet corn (54 counties)
Forage Seeding (8 counties)	Processing Sweet corn (11 counties)
Grain Sorghum (17 counties)	Tart Cherries (4 counties)
Grapes (12 counties)	Processing Tomatoes (6 counties)
Green Peas (17 counties)	Winter Wheat (27 counties)

These are the crops for which there are crop insurance policies in NYS. A handout available from us lists the counties. <http://www.agriculture.ny.gov/AP/CropInsurance.html>. While we are discussing NAP – the disaster program available when there is no crop insurance, USDA does allow for “importing” a crop insurance policy from outside their county. It takes the form of a “written agreement” that is parallel or comparable to crop insurance. For high value crops, such as apples or dry beans, it makes a great deal of sense to seek a written agreement rather than NAP coverage. This requires extensive lead time, as your crop insurance agent, from whom you would buy the written agreement contract, must obtain permission producer by producer from their insurance company and USDA in order to issue such an agreement. Before seeking a written agreement, it makes sense to be certain that it is something you want. For example, in New York, the Cabbage crop insurance policy does not include prevented planting, a provision usually included in crop insurance policies. NAP does include prevented planting.

NAP= Non-Insured Crop Disaster Assistance Program

Offered by FSA for all crops in counties where there is no crop insurance

Losses can be paid on 100 % of “established” value of crop at the level of coverage you choose, from 50% - 65%.

Prevented planting is part of the higher coverage levels.

Again, NAP is the program that is available for all crops for which there is no crop insurance. NAP – the Non-Insured Crop Disaster Payment Program – was dramatically improved in the most recent Farm Bill. It is administered by your county FSA office. Losses can now be paid at 100% of the value of the crop for losses beyond the level you choose to buy.

Like most crop insurance, prevented planting is included for higher levels of coverage and is considered a valuable and highly desirable feature of participation.

NAP Non-Insured Crop Disaster Assistance Program - Concept

NAP currently only covers weather-related causes of loss for the 2015 crop year

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One big difference between crop insurance and NAP is that NAP only will cover losses associated with weather events or problems as they reduce yields, not quality, for the 2015 crop year. (There is NAP coverage for some value-loss crops such as ornamentals or containers that are not yield-based – see your FSA office!) For example, yield losses associated with a hard freeze that reduces a blueberry crop to only 10% would be considered a cause of loss. On the other hand, a disease that impacted the fruit resulting in more than half of the berries being unsalable, would most likely not be considered a cause of loss unless the disease incident was directly associated with weather conditions.

Losses are those that an individual farmer suffers for localized weather events, and are not associated with a USDA disaster declaration (A disaster declaration triggers other disaster assistance, most notably the availability of loans through FSA.)

NAP Deadlines for Crop Year 2015

March 15, 2015

Artichokes, Beans, Broccoflower, Broccoli, Brussel Sprouts, Buckwheat, Cabbage, Calaloo, Carrots, Cauliflower, Celeriac, Celery, Sweet Corn, Cucumbers, Eggplant, Gourds, Hops, Jerusalem Artichokes, Kohlrabi, Melons, Millet, Okra, Parsnips, Peas, Peppers, Potatoes, Pumpkins, Rutabaga, Safflower, Sesame, Sorghum-FG, Soybeans, Squash, Sunflowers, Sweet Potatoes, Tomatoes, Tomatillos, Watermelons, and Yams

Like crop insurance, there are sign-up deadlines that differ, depending on the crop. March 15 is the next deadline for many, but not all, spring-seeded crops. However, there are additional deadlines throughout the rest of the year for other crops. For example, garlic, which is planted in the fall, has a NAP sign-up deadline of September 1.

Like crop insurance, there are also reporting deadlines and loss reporting timelines, all of which must be followed in order for the coverage to be maintained. It is the producer's responsibility to be aware of the deadlines and to report as required.

NAP Deadlines for Crop Year 2016

May 1, 2015

Ornamental and Non-ornamental Nursery

September 1, 2015

Garlic

Value loss type crops:

Aquaculture, Christmas trees, Finfish, Floriculture, Ginseng root, Ginseng seed (yield base), Mollusk, Mushrooms, and Turfgrass sod

September 30, 2015

All grasses, mixed forage, clover & alfalfa, All Fall and Spring small grains

November 20, 2015

Apples, Apricots, Asparagus, Blueberries, Cranberries, Cherries, Chestnuts, Currants, Ginger, Grapes, Gooseberries, Elderberries, Horseradish, Juneberries, Kiwi, Mulberries, Nectarines, Peaches, Pears, Persimmons, Plums, Prunes, Quince, Rhubarb & Strawberries

December 1, 2015

Honey, Maple Sap

February 1, 2016

Beets, Burdock, Chicory, Greens, Herbs, Leeks, Lettuce, Onions, Radicchio, Radishes, Scallions, Shallots, and Turnips

These additional NAP deadlines are all for the 2016 production season. Like crop insurance, signup is required in advance of planting or in the case of perennials, in advance of the production season.

Non-Insured Crop Disaster Assistance Program How much does NAP cover?

Coverage Level	Loss Threshold	Payment Rate
"Traditional" CAT coverage	50%	55%
50% Buy-up	50%	100%
55% Buy-up	55%	100%
60% Buy-up	60%	100%
65% Buy-up	65%	100%

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Up until this year, NAP had a bad reputation because it only covered losses greater than 50% and then only provided payments at 55% of the crop price for whatever additional losses were sustained. In this regard, it was truly a disaster program because losses greater than 50% are rare. On the other hand, when disasters are that great, the amount of the payment seems insufficient, especially in comparison to what the producer would receive if the crop were covered under crop insurance.

Now, the new NAP can provide much higher coverage levels and it is really the only other game in town for many fruits and vegetables, for which there is little or no crop insurance.

How much does NAP cost?

The actual cost to producers is made up of two components; administrative fees and premiums.

- **Administrative fees** have not changed. A producer will pay \$250, per crop, per county, up to a maximum of \$750 per county in which they participate
- **Premiums** only apply to producers who elect buy-up coverage and they are calculated based on 5.25% of the total guarantee, up to a maximum of \$6,563

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We give you some specific examples to demonstrate costs in upcoming slides.

NAP Prices for Crops

- Set by the State Farm Service Agency, depending on information provided by county FSA offices and approved, crop by crop, by the federal headquarters personnel of Farm Service Agency in Washington, DC.
- Usually uses the wholesale conventional price.

Your county FSA office has prices on file for some crops. If they do not list a county price, then the State FSA office issues a price used for valuing NAP coverage. These prices can change from year to year. They are built into the FSA's NAP tool for calculating coverage and premiums, which can be found on the FSA's webpages.

Direct Marketing Prices

- Producers who elect Buy-up coverage will have the opportunity to elect the use of “Direct Market Values” for crops which the producer has a history of marketing directly to consumers (at a farm stand, farmers market, etc.)
- While traditional NAP issues payments based on the average market price of a crop, Direct Marketing Prices more closely resemble the value of the crop to a producer who sells directly to a consumer, rather than to a distributor/retailer.

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See your country FSA office for more details.

Organic prices

- Certain crops will have specific yield and price values assigned for organically grown produce. To be eligible for Organic Crop yields and prices, a producer must be a USDA Certified Organic Producer.
- Similarly to Direct Marketing, in order to receive the benefit of Organic prices, the producer must elect buy-up coverage.

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Your records of sales are important for establishing prices.

Garlic

Otsego County APH @ 160 cwt./acre Price \$56.87 3.0 acre example

Coverage	Yield Guarantee per Acre	Unit of Measure	Yield guarantee valued at NAP Market price (\$/Acre)	Premium (\$/acre)	Premium (\$/crop) 3 Acres
Basic	80.0	Hundredweight	\$2,502.13	N/A	N/A
50%	80.0	Hundredweight	\$4,549.34	\$238.84	\$716.52
55%	88.0	Hundredweight	\$5,004.27	\$262.72	\$788.17
60%	96.0	Hundredweight	\$5,459.20	\$286.61	\$859.82
65%	104.0	Hundredweight	\$5,914.14	\$310.49	\$931.48

The next several slides were developed using the NAP web-based tool available on the FSA webpage. Growers of small amounts of crops – even linear feet of specific crops – can be covered by NAP. Each slide shows the yield guarantee in hundred weight (cwt) per acre for each percentage coverage choice, the value of the guarantee using FSA's price for 2015 and then the cost to the producer per acre and per total crop planted. To do the math, the APH or Actual Production History is multiplied by the price and then by the coverage level. In the case of Otsego Co. garlic, the County APH of 160 hundred weight per acre is multiplied by the coverage level, resulting in 80 hundredweight (cwt) for 50% coverage and 104 hundredweight for 65% coverage. This is called the yield guarantee. In a disaster designation, should a producer go below this yield, then losses are paid to the producer at the price set by USDA.

The Math for the Guarantee

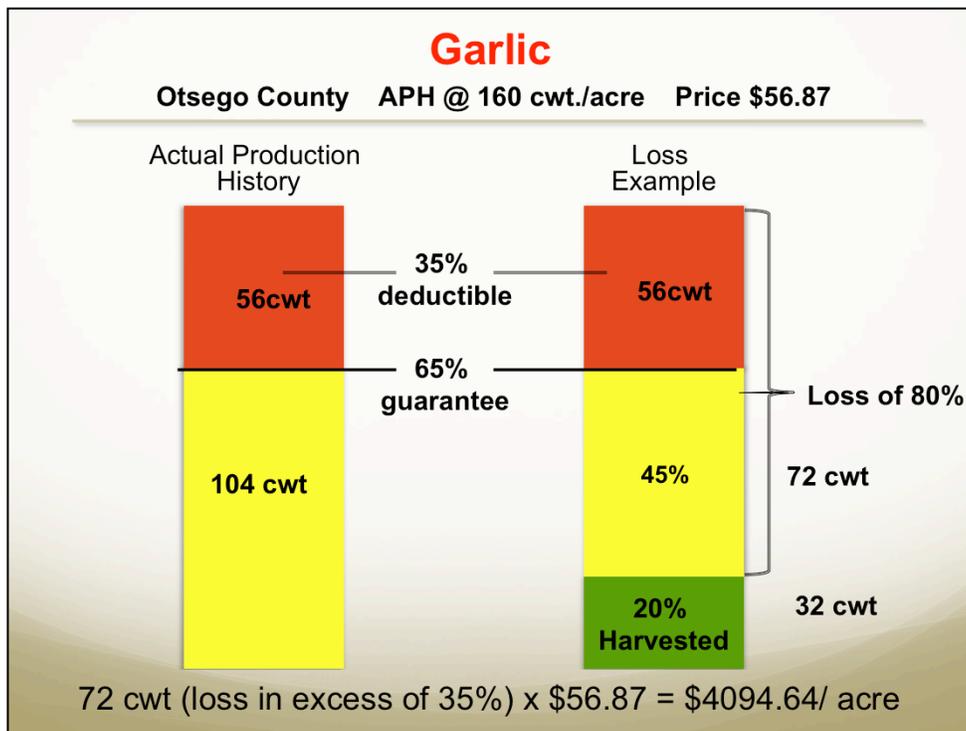
For Yield-Based crops, the guarantee is calculated as:

$$\text{APH} \times \text{Acres} \times \text{Coverage Level} \times \text{Price} = \text{Guarantee}$$

$$\text{Ex: } 160 \text{ cwt/acre} \times 1 \text{ acre} \times 65\% \times \$56.87 = \$5,914.14$$

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APH stands for Actual Production History. If a producer does not have their own yields, the county APH is used to prepare the NAP guarantee. In this example, we use Otsego Co yields and price.



The concept of the “guarantee” is important because it is comprised of either no crop harvest (rare) or a combination of harvest plus the NAP payment. If the farmer produced only 25% of the county APH, then they would receive a NAP payment equal to 40% of the APH. 25% + 40% = the 65% guarantee. In order to do the math, yield is calculated first and then translated to dollars using the FSA price that was also used to calculate the premium.

Remember, the FSA price may not reflect your price, but it does provide a value that allows both FSA and the producer to come up with a payment level and a premium cost.

Producers can establish their own yields over time, if they do not have enough years of production reported at the time they first apply for NAP.

Cabbage

Otsego County APH @ 430 cwt. \$19.30 1.0 acre example

Coverage	Yield Guarantee per Acre	Unit of Measure	Yield guarantee valued at NAP Market price (\$/Acre)	Premium (\$/acre)
Basic	215.0	Hundredweight	\$2,282.23	N/A
50%	215.0	Hundredweight	\$4,149.50	\$217.85
55%	236.5	Hundredweight	\$4,564.45	\$239.63
60%	258.0	Hundredweight	\$4,979.40	\$261.42
65%	279.5	Hundredweight	\$5,394.35	\$283.20

Our cabbage example also uses Otsego County data. Like all crops, prices may be set on a county basis, but where there is insufficient data to do so, a state “Olympic average” is used. There is a formula for averaging the price throughout the year that results in the FSA “Olympic” price.

Note that for beginning farmers without an established APH or actual production history, the county APH is used.

Broccoli

Otsego County APH @ 159 cwt. \$35.50 1.0 acre example

Coverage	Yield Guarantee per Acre	Unit of Measure	Yield guarantee valued at NAP Market price (\$/Acre)	Premium (\$/acre)
Basic	79.5	Hundredweight	\$1,552.24	N/A
50%	79.5	Hundredweight	\$2,822.25	\$148.17
55%	87.5	Hundredweight	\$3,104.48	\$162.98
60%	95.4	Hundredweight	\$3,386.70	\$177.80
65%	103.4	Hundredweight	\$3,668.93	\$192.62

Lettuce

Otsego County APH @ 310 cwt. \$26.73 1.0 acre example

Coverage	Yield Guarantee per Acre	Unit of Measure	Yield guarantee valued at NAP Market price (\$/Acre)	Premium (\$/acre)
Basic	155.0	Hundredweight	\$2,279.01	N/A
50%	155.0	Hundredweight	\$4,143.66	\$217.54
55%	170.5	Hundredweight	\$4,558.03	\$239.30
60%	186.0	Hundredweight	\$4,972.39	\$261.05
65%	201.5	Hundredweight	\$5,386.76	\$282.80

Mixed Forage (grass < 25% alfalfa)

Otsego Co. @2.6 tons/ ac; \$111.67; 100 acres example

Coverage	Yield Guarantee per Acre	Unit of Measure	Yield guarantee valued at NAP Market price (\$/Acre)	Premium (\$/acre)	Premium (\$/crop) 100 Acres
Basic	1.3	Ton	\$79.84	N/A	N/A
50%	1.3	Ton	\$145.17	\$7.62	\$762.13
55%	1.4	Ton	\$159.68	\$8.38	\$838.34
60%	1.6	Ton	\$174.20	\$9.15	\$914.55
65%	1.7	Ton	\$188.72	\$9.91	\$991.00

Hay is a very popular NAP crop because crop insurance is only available in 8 counties for hay and forage and requires high alfalfa content. While quality is not a loss factor this year, it is expected to be incorporated in future years. Sign-up for hay is November 20.

Yield Guarantee by Crop per Acre

Commodity	Yield guarantee valued at NAP Market price (\$/Acre)				
	Basic	50%	55%	60%	65%
Garlic	\$2,502.13	\$4,549.34	\$5,004.27	\$5,459.20	\$5,914.14
Cabbage	\$2,282.23	\$4,149.50	\$4,564.45	\$4,979.40	\$5,394.35
Broccoli	\$1,552.24	\$2,822.25	\$3,104.48	\$3,386.70	\$3,668.93
Lettuce	\$2,279.01	\$4,143.66	\$4,558.03	\$4,972.39	\$5,386.76
Mixed Forage	\$79.84	\$145.17	\$159.68	\$174.20	\$188.72

If a producer of mixed vegetables and hay were to decide to insure the 5 crops we provided NAP prices for, the value of the coverage by crop on a per acre basis is listed here.

Totals by Crop per acre

Commodity	Premium (\$/acre)				
	Basic	50%	55%	60%	65%
Garlic	N/A	\$238.84	\$262.72	\$286.61	\$310.49
Cabbage	N/A	\$217.85	\$239.63	\$261.42	\$283.20
Broccoli	N/A	\$148.17	\$162.98	\$177.80	\$192.62
Lettuce	N/A	\$217.54	\$239.30	\$261.05	\$282.80
Mixed Forage	N/A	\$7.62	\$8.38	\$9.15	\$9.91

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Price per acre at different coverage levels is shown here, as spelled out by the FSA web tool using Otsego Co price and APH.

Total Cost and Yield Guarantee

Commodity	Yield guarantee valued at NAP Market price	Premium
	65%	65%
Garlic (3 acres @ \$5,914.14 for \$310.49/acre)	\$17,742.42	\$716.52
Cabbage (1 acre)	\$5,394.35	\$283.20
Broccoli (1 acre)	\$3,668.93	\$192.62
Lettuce (1 acre)	\$5,386.76	\$282.80
Mixed Forage (100 acres @ \$188.72 for \$9.91/acre)	\$18,872.00	\$991.00
Total	\$51,064.64	\$2,466.14

Adding together the crops in our example for 65% NAP coverage, the guarantee is \$51,064 for a cost of \$2,466.14 plus administrative fees.

Non-insured Crop Disaster Assistance Program (NAP)
applications have a service fee for each crop.

\$250/crop not to exceed \$750 /County (pay for no more than three crops). After three crops, however more are grown, all are covered.

For producers growing in multiple counties the maximum service fee will be \$1875.

For “buy-up”, in addition to the service fee above, the premium will be 5.25% of the guarantee; not to exceed \$6563.

Beginning Farmers, Socially Disadvantaged producers and Limited Resource farmers (according to producer certification on form CCC-860) have service fees waived and premiums reduced by 50%.

Note that beginning farmers, socially disadvantaged producers (categories of producers that have been discriminated against in the past) and Limited Resource Farmers (based on income) have significant reductions in cost to participate. If you qualify as a beginning farmer (less than 10 years), then you receive reductions in costs for whatever number of years you fall within this category.

Limited Resource/Beginning/ Socially Disadvantaged

- Limited Resource- a person with direct or indirect gross farm sales not more than \$176,800 (for FY2015) in each of the previous two years, **AND** a total household income at or below the national poverty level for a family of four or less than 50 percent of county median household income in each of the previous two years.
- Beginning Farmer- and individual or entity who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 consecutive years, and who materially and substantially participates in the operation.
- Socially Disadvantaged- a farmer or rancher who is a member of one of the following groups: American Indians or Alaskan Natives, Asians or Asian Americans, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.

NAP Non-Insured Crop Disaster Assistance Program - Concept

In the event of a loss, the payment for crops covered by NAP cannot exceed \$125,000 per individual

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Depending on how your farm business entity is set up, an individual or producer entity is limited to an annual payment not to exceed \$125,000. There are also a few other FSA programs where payments fall under this cap. Ask your county FSA office for more information.

Whole Farm Revenue Crop Insurance Program

Please see the presentation on Whole Farm Revenue Crop Insurance, prepared by the USDA Risk Management Agency, to compare it with NAP Coverage at: <http://www.rma.usda.gov/policies/wfrp.html>

Please note the following:

- Whole Farm is structured to be advantageous to diversified growers with 3 or more crops
- The program insures revenue, not individual crops
- 5 consecutive years of production & IRS Schedule F forms are needed to qualify
- Allows commodities purchased for resale (up to 50% of total)
- Covers up to \$8.5 million of revenue
- **March 15 is the enrollment deadline**

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The Whole Farm Crop Insurance Revenue Program is a new program that is an improved version of AGR and AGR-Lite, combined. The USDA Risk Management Agency has a great deal of information on this program. They have created an educational PowerPoint presentation on Whole Farm. It is available at: <http://www.rma.usda.gov/policies/wfrp.html>.

Keep the NAP program options in mind while reviewing Whole Farm Revenue and then make your choice!

Additional Information can be found at:

USDA Farm Service Agency (FSA)

<http://www.fsa.usda.gov/FSA/>



USDA Risk Management Agency (RMA)

This institution is an equal opportunity provider.

<http://www.rma.usda.gov/>

To find a crop insurance agent, go to:

<http://www.rma.usda.gov/tools/agent.html> to use the agent/
company locator tool.

**NYS Department of Agriculture and Markets
*Crop Insurance and Risk Management Education***

<http://www.agriculture.ny.gov/AP/CropInsurance.html>

1-800-554-4501 or

Sarah Johnston at 518-457-4531



Additional information can be found at the web sites listed on the slide. The USDA Farm Service Agency nationwide website has a state link and the New York FSA website has a county locator which provides the location and phone number for every county FSA office. The websites also include detailed fact sheets on the programs mentioned in this presentation.

Thank you.