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FARM SERVICE AGENCY

Montana State
Producer Handbook



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Fact Sheet

Noninsured Crop Disaster Assistance Program- According to the 2008 Farm Bill

Background

The Noninsured Crop Disaster Assistance Program (NAP) is a federally funded program that provides financial assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occurs as the result of natural disasters. NAP provides coverage for crops for which the catastrophic level of insurance is not available.

Eligible Crops

Crops that are noninsurable and eligible for disaster assistance include commercially produced:

- crops grown for food;
- crops planted and grown for livestock consumption, including but not limited to grain, seeded and native forage crops;
- crops grown for fiber, such as cotton and flax, except for trees;
- crops grown under a controlled environment, such as mushrooms and floriculture;
- specialty crops, such as honey and maple sap;
- value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery, and turfgrass sod;
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Natural Disasters

Natural disasters include:

- damaging weather, such as drought, hail, freeze, hurricane, excessive moisture or wind;
- an adverse natural occurrence, such as an earthquake or a flood; or
- a condition related to damaging weather or adverse natural occurrence such as disease or insect infestation.

Note: *The natural disaster must occur before or during harvest and must directly affect the noninsurable crop.*

Producer Eligibility Requirements

An eligible producer is a landowner, tenant, or sharecropper who shares in the risk of producing a crop that qualifies as noninsurable. The average gross nonfarm income of the eligible producer must not exceed \$500,000.

Note: *If you have questions regarding your eligibility, contact your local Farm Service Agency (FSA) office.*

Program Eligibility Requirements

Producers must meet all program requirements in order to take advantage of NAP assistance in the event of a disaster. The producer must provide certain information to FSA annually before a disaster

occurs. Specifically, producers must:

- certify that they comply with all highly erodible land and wetland conservation requirements;
- report crop losses within 15 days of the date disaster occurs or the date crop damage becomes apparent;
- request payments by the acreage reporting date for the crop following the year in which the loss occurred;
- accurately report the acreage and shares for all crops potentially eligible for NAP, certify crop production history, and report current crop year production on or before the required deadline.

If you have questions regarding acreage reporting dates, contact your local FSA office.

Determination of Crop Losses

As with crop insurance, FSA allows producers to establish an expected level of production to reflect normal production capabilities.

Except for a few crops that are considered "value loss" crops, the actual history of producing the crop is used to determine the extent of the loss in the disaster year. FSA calculates normal yields by averaging producers' actual yields over a 4 to 10 year period. If at least 4 years of acceptable production records are not provided, a yield will be assigned, which may be lower than the actual average yield.

Individual crop losses are determined on a unit basis. A unit includes all the acreage of the crop in the administrative county in which the producer has the same interest. For example, land owned by a producer is included in the same unit with land leased by the producer, if a 100 percent share in the crop is maintained on both operations.

Payment of NAP

FSA compensates eligible producers for:

- losses of noninsurable crops exceeding 50 percent of the expected yield based on 55 percent of the average market price of the commodity;
- prevented planting of more than 35 percent of the intended acreage.

To reflect a decrease in production costs incurred, the payment rate is reduced for any crop that is unharvested or prevented from being planted. Payments under NAP to any single person cannot exceed \$100,000 for any given crop year. Producers cannot receive assistance for the same loss under more than one USDA program.

For payment calculation examples, please refer to "NAP Payment Examples" on page 3 of the fact sheet.

NAP Coverage

Crop Losses

NAP will be based on individual producer crop losses.

Application for Coverage

Eligible producers must apply for coverage on noninsurable crops. All applications for coverage must be filed and the applicable service fees paid at the local FSA office by the application closing date. State committees establish application-closing dates.

Service Fees

Eligible producers must pay a service fee of \$250 per crop per administrative county or \$750 per producer per county, not to exceed \$1875 for a producer with farming interests in multiple counties.

Service fees may be waived for limited-resource producers.

Coverage Period

The coverage period is the time during which coverage is available against loss of production of the noninsurable crop as a result of a natural disaster. The coverage period varies depending on the type of crop grown, which may be annual, perennial, value loss, etc. The date coverage ends is normally the same among crops and ends the earlier of:

- the date harvest is completed;
- the normal harvest date in the area;
- abandonment of the crop;
- total destruction of the crop.

Note: *Value loss crops and specialty crops have different coverage periods and ending dates. For complete information on coverage periods and ending dates, contact your local FSA office.*

Participant Responsibilities

Eligible producers who participate must:

1. Be aware of program deadlines that apply in the counties where you have farming interests;
2. File an application for coverage **CCC-471**, and pay the applicable service fees at your local FSA office by the application closing date;
3. Request a waiver of service fees if you are a limited-resource producer;
4. File Notice of Loss, Part B, **CCC-576** within 15 days of loss.
5. Complete payment eligibility forms; Application for Payment, **CCC-576**;

6. Comply with all other program requirements, including highly erodible land and wetland conservation;
7. Provide documentation to establish actual production history and support most recent year production;
8. Annually report your crop acreage, yield, and production at your local FSA office;
9. Timely file a notice of crop loss and give FSA the opportunity to inspect the acreage;
10. Timely file an application for payment in order to receive financial assistance through NAP.

Payment of Service fee does not guarantee coverage.

Information Required to Remain Eligible for NAP

To remain eligible for NAP assistance, the producer must report the following crop information annually:

- name of the crop;
- type and variety of the crop;
- location and acreage of the crop;
- share of the crop and the names of other producers with an interest in the crop;
- type of practice used to grow the crop, such as irrigated or non-irrigated;
- date the crop was planted in each field; and
- intended use of the commodity.

In addition, production must provide the following production information annually:

- the quantity of all harvested production of the crop in which the producer held an interest during the crop year;
- the disposition of the harvested crop, such as whether it is marketable, unmarketable, salvaged, or used differently than intended; and
- verifiable or reliable crop production records.

Failure to Report

Failure to report acreage and production information may result in reduced or zero NAP assistance.

Spring Application Deadline

FSA has set March 16, 2009, as the application sales closing date for all 2009 crops except "value loss" and honey.

In Montana, NAP coverage may be available for hay type barley varieties intended for seed. Overage stands of irrigated alfalfa and alfalfa grass mixtures are now eligible for crop insurance coverage.

Crop situations that will not be eligible for NAP coverage include insurable crops planted in unrated map areas, however, those crops will be eligible for crop insurance through written agreements. Contact your Crop Insurance Agent for more information.

NAP Important Dates for 2009

March 16 NAP application sales closing date for all 2009 crops except "value loss" and honey.

Nap pull-off date – varies by county. Check with your local county FSA office for the exact date.

Notice of Loss – is 15 calendar days following the disaster or the loss was apparent

July 15 Final NAP production reports are due for 2008

July 15 Final date to file 2008 crop application for NAP payment

December 1 2010 NAP application closing date for honey.

For More Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at: <http://www.fsa.usda.gov/mt>.

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NAP PAYMENT EXAMPLES

NAP is designed to provide some crop loss protection during times of catastrophic losses. The following examples show what a producer might receive as a NAP payment when 100 acres of dryland barley hay, 100 acres of dryland triticale, and 640 acres of native range are timely reported and subsequently lost due to a natural disaster. Remember that NAP only covers the actual disaster loss in excess of 50% at 55% of the market price established by the State Committee (STC).

Barley intended for Hay:

$1.6 \text{ T/ac. APH} \times 50\% \text{ coverage level} = 0.8 \text{ T/ax. NAP coverage guarantee}$

$\$72.50/\text{Ton NAP Price} \times 55\% \text{ coverage rate} = \$39.88/\text{Ton NAP payment rate}$

$100 \text{ planted acres} \times 0.8 \text{ T/ac.} = 80 \text{ Tons guarantee}$

$80 \text{ Tons} - 0.0 \text{ production to count (appraisal)} = 80 \text{ Tons for payment}$

$80 \text{ T} \times \$39.88/\text{T} \times 87\% \text{ planted but unharvested factor} = \2776 payment

Triticale intended for grain:

$40 \text{ BU/ac. APH} \times 50\% = 20 \text{ BU/ac. NAP guarantee}$

$\$2.06/\text{BU} \times 55\% = \$1.13/\text{BU NAP payment rate}$

$100 \text{ acres} \times 20 \text{ BU/ac.} = 2000 \text{ BU guarantee}$

$2000 \text{ BU} - 500 \text{ BU actual harvested quantity} = 1500 \text{ BU for payment}$

$1500 \text{ BU} \times \$1.13/\text{BU} = \1695 payment

Native grass for grazing:

20.3 acres per animal unit carrying capacity (set by COC)

215-day grazing period for native range (set by COC)

70% grazing loss (set by COC and approved by STC)

\$0.7034 per animal unit day (AUD) rate (set by national office)

$640 \text{ acres native pasture} \div 20.3 \text{ ac/AU} \times 215 \text{ days} = 6778 \text{ normally expected AUD's}$

$6778 \text{ expected AUD's} \times 20\% \text{ (grazing loss over 50\%)} = 1356 \text{ AUD's eligible for NAP payment.}$

$1356 \text{ pmt AUD's} \times \$0.7034 \times 55\% = \$525.00 \text{ total NAP payment}$