

UNITED STATES DEPARTMENT OF AGRICULTURE

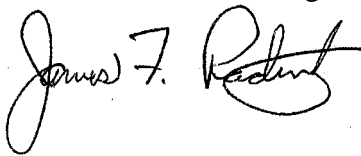
Farm Service Agency
Washington, D.C. 20250

Notice FLP-702

For: State and County Offices

“No Cost” NAP Coverage

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Guidance on Purchasing NAP and Free Basic NAP Coverage

A Background

NAP is administered by USDA, FSA, and provides financial assistance to producers of noninsurable crops to protect against natural disasters that result in low yields, crop loss, or prevents crop planting.

Under the 2014 Farm Bill, significant changes were legislated making NAP a better risk tool for specialty crop producers.

An eligible producer is a landowner, tenant, or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop. The 2014 Farm Bill specifies that to be eligible for NAP coverage, an individual or entity's average AGI **cannot** exceed \$900,000 to be eligible for NAP payments.

B Purpose

This notice:

- provides guidance on FLP policy for **encouraging** the purchase of NAP when the coverage is determined to be cost effective for the operation and will benefit both the applicant and FSA as part of an overall farm plan
- informs Farm Loan personnel that producers who are underserved, limited resource, or beginning farmers are eligible for basic NAP coverage (that is CAT level) for free, unless the coverage is declined.

Disposal Date	Distribution
July 1, 2015 3-12-15	State Offices, State Offices relay to County Offices

1 Guidance on Purchasing NAP and Free Basic NAP Coverage (Continued)

C Contact

If there are questions about this notice:

- County Offices shall contact State Offices
- State Offices shall contact Russ Clanton, Branch Chief, Direct Loan Making and Funds Management by telephone at 202-690-0214.

D Coverage Levels

NAP provides CAT coverage based on the amount of loss that exceeds 50 percent of expected production at 55 percent of the average market price for the crop.

The 2014 Farm Bill authorizes additional coverage levels ranging from 50 to 65 percent of expected production, in 5 percent increments, at 100 percent of the average market price for crop years 2015 through 2018. Crops intended for grazing are **not** eligible for additional coverage.

To take advantage of either basic NAP coverage or additional coverage, producers must pay the applicable service fee and file CCC-471 by the application closing date for the applicable crop. Additional levels of coverage and/or price coverage options must be elected by this deadline.

E Service Fees and Premiums

For all coverage levels, a producer must pay the applicable NAP service fee at the time of application, which is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for a producer with farming interests in multiple counties.

Producers who elect additional coverage must also pay a premium equal to the crop guarantee, which is calculated based on the lesser of the:

- producer's share of the crop, times
- number of eligible acres devoted to the crop, times
- approved yield per acre, times
- coverage level, times
- average market price, times
- 5.25 percent premium fee; or
- applicable payment limitation times 5.25 percent premium fee.

1 Guidance on Purchasing NAP and Free Basic NAP Coverage (Continued)

F Service Fees and Premiums

For value loss crops, premiums will be calculated using the maximum dollar value selected by the producer on CCC-471.

Beginning, limited resource, and targeted underserved farmers are eligible for a waiver of the service fee and a 50 percent premium reduction. To be eligible for a service fee waiver or premium reduction, producers must qualify as 1 of the following.

- Beginning farmer, a person who:
 - has not operated a farm or ranch for more than 10 years, **and**
 - materially and substantially participates in the operation.
- Note:** For legal entities to be considered a beginning farmer, all members must be related by blood or marriage and must be beginning farmers.
- Limited resource farmer, a person or legal entity who:
 - earns no more than \$176,800 in each of the 2 calendar years that precede the complete taxable year **before** the program year, to be adjusted upwards in later years for inflation; **and**
 - has a total household income at or below the national poverty level for a family of 4, or less than 50 percent of county median household income for both of the previous 2 years.

Note: Limited resource producer status may be determined using the USDA Limited Resource Farmer and Rancher Online Self Determination Tool located at **<http://www.lrftool.sc.egov.usda.gov>**. The automated system calculates and will display the adjusted gross farm sales per year and the higher of the national poverty level or county median household income.

1 Guidance on Purchasing NAP and Free Basic NAP Coverage (Continued)

F Service Fees and Premiums (Continued)

- Targeted underserved, are traditionally underserved farmers who are members of a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. Groups include all of the following:
 - American Indians or Alaskan Natives
 - Asians or Asian Americans
 - Blacks or African Americans
 - Native Hawaiians or other Pacific Islanders
 - Hispanics
 - Women.

Note: For a legal entity to be considered targeted underserved, the majority interest must be held by targeted underserved individuals.

G Free Basic NAP Coverage

For producers who are eligible for the waived service fee, authorized agency officials shall stress to the producer that there is no cost for basic NAP coverage and a reduced premium for additional coverage. Basic NAP coverage should be provided for free, unless a producer specifically declines the coverage. A corresponding farm program notice will be issued and provide more specific instructions for allowing late-filed applications, or procedure for taking applications for the upcoming growing season.

NAP is an important tool in managing potential risk for individuals who raise crops not covered by standard crop insurance.

H Action

All FLP applicants who produce NAP eligible crops shall be referred to the appropriate authorized agency official, who shall discuss NAP with the applicant and explain how to apply for NAP coverage.

FSA, along with the applicant, shall determine if NAP coverage is cost effective for the operation and if the coverage will likely benefit both the applicant and FSA as part of the overall farm plan. If NAP coverage is likely to provide benefit to the operation, applicants shall be **encouraged** to participate in NAP.