

For: State and County Offices

NAP Provisions for Hemp Coverage in 2020

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The Agriculture Improvement Act of 2018 (2018 Farm Bill) authorized a producer to grow hemp under a license issued by a State, Tribe, or USDA. AMS has issued regulations to establish a domestic hemp production program. The AMS rule and other hemp information is available at <https://www.ams.usda.gov/rules-regulations/farmbill-hemp>.

NAP coverage for hemp is available beginning with the 2020 crop year for licensed producers of commercial hemp meeting specific requirements, in addition to the general requirements that apply to all eligible crops.

Hemp means the plant species *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis. Delta-9 tetrahydrocannabinol, or THC, is the primary intoxicating component of cannabis. Cannabis with a THC level exceeding 0.3 percent is considered marijuana, which remains classified as a schedule I controlled substance regulated by the Drug Enforcement Administration (DEA).

B Purpose

This notice informs State and County Offices of specific NAP requirements for hemp.

Disposal Date	Distribution
March 1, 2021 2-24-20	State Offices; State Offices relay to County Offices

2 General Information and Requirements

A Uses of Hemp

Hemp can be used for a variety of purposes, including fabric, paper, construction materials, food products, cosmetics, and production of cannabidiol (CBD).

B Intended Uses Available for NAP Coverage

The following intended uses of hemp are eligible for NAP coverage:

- Grain (GR) – used for hemp hearts, crushed seed oil (**not** CBD), and protein supplements (human or animal consumption)
- Seed (SD) – used for propagation stock and hybrids (non-human consumption)
- CBD (CB) – grown for extraction of plant resin, which includes CBD and other phytocannabinoids
- Fiber (FB) – used for cloth, pressed plastics, ropes, animal bedding, paper, biofuel, packaging, concrete additives, and spill cleanup.

C Pay Groups

Hemp has the following 3 pay groups:

- Seed and Grain
- CBD
- Fiber.

D Growing History Requirement

A producer is not required to have a history of growing hemp before basic 50/55 NAP coverage will be available; however, **to obtain buy-up coverage** for hemp, a producer must have successfully produced the crop in a previous year. Production of the crop is considered to be successful if the crop produced at least 50 percent of the county-expected yield for the intended use in the same county for which buy-up coverage is being sought unless the producer suffered a loss on the crop because of an eligible cause of loss. Documentation must be provided.

In addition, COC must ensure that the crop is being grown commercially using good farming practices and according to industry standards.

2 General Information and Requirements (Continued)

E Processor Contract Requirement

A producer is required to have a contract with a processor showing risk for the applicable intended use of hemp to support the grower's ability to harvest and market the crop, as required for NAP. Producers are required to submit a copy of the contract at the time the acreage is reported, but not later than the final acreage reporting date. If the producer does not provide a copy of the contract, the crop is ineligible for NAP payment; however, NAP service fees will not be refunded, and the producer is responsible for paying the premium, if applicable.

A processor is any business enterprise regularly engaged in processing hemp that possesses all required licenses and permits and that possesses facilities, or has access to these facilities, to process hemp.

The contract **must** be with an eligible processor and **must** contain the following provisions:

- the producer's promise to deliver all hemp to the processor
- the processor's promise to purchase hemp
- a base contract price, or method to derive a value that will be paid.

F License Requirement

To be eligible for NAP coverage, the producer must have a license issued by a State, Tribe, or USDA. Producers are required to submit a copy of the license at the time the acreage is reported, but not later than the final acreage reporting date. If the producer does not provide a copy of the license, the crop is ineligible for NAP payment; however, NAP service fees will not be refunded, and the producer is responsible for paying the premium, if applicable.

G Commercial Use Requirement

NAP requires hemp to be grown for commercial use as evidenced by the license and processor contract. Before the 2018 Farm Bill, hemp could only be grown as part of a university research pilot program authorized by Section 7606 of the 2014 Farm Bill. States may continue to operate under the 2014 Farm Bill authority until October 31, 2020. If a producer is in a State that continues to operate a pilot hemp program for experimental or research purposes, a producer may obtain NAP coverage if the producer also has a processor contract. A copy of the processor contract will be used to support that the crop is being grown commercially.

Notice NAP-204

2 General Information and Requirements (Continued)

H Significance of THC Level Exceeding 0.3 Percent

USDA requires hemp plans to include procedures for sampling and testing to ensure that the THC level does not exceed 0.3 percent. Cannabis with a THC level exceeding 0.3 percent, often referred to as “hot”, is not considered hemp. It is considered marijuana, which is classified as a schedule I controlled substance regulated by DEA.

Note: THC testing is not required by USDA if the crop is not taken to harvest.

I Failed Acres

If the crop is determined to be “hot”, destruction of the crop is required. The production **must** be associated with the acres where it was grown, using the producer’s acreage reporting map. If a portion of the crop is “hot” and a portion of the crop is not, production will be assigned, up to the guarantee, for those acres associated with the “hot” acres because that acreage suffered an ineligible cause of loss according to 1-NAP (Rev. 2), paragraph 607.

FSA will only consider those acres failed if the crop is not “hot”. For approved yield purposes, only hemp production is included in the APH database. Production that is destroyed because of high THC levels will not be included.

Important: All test results must be provided to FSA regardless of the THC level that was realized.

J Ineligible Cause of Loss

In addition to the ineligible causes of loss excluded in 1-NAP (Rev. 2), subparagraph 51 E, FSA will not cover against any loss of hemp production that is because of:

- levels of THC in excess of 0.3 percent on a dry weight basis
- failure to follow the requirements contained in a processor contract
- any harvested production infected by mold, yeast, fungus, or other microbial organisms after harvest
- any damage or loss of production because of the inability to market the hemp for any reason other than actual physical damage to the hemp from a covered cause of loss (for example, quarantine, boycott, processor contract default, or refusal of any person to accept production).

Notice NAP-204

2 General Information and Requirements (Continued)

K Acreage Restrictions Based on Prior Crops

The general NAP provisions about using good farming practices apply to hemp. Growing hemp on acreage planted in the prior year to the following crops is not considered a good farming practice:

- cannabis
- canola
- dry peas
- mustard
- rapeseed
- soybeans in CT, IA, ID, IL, IN, MA, ME, MI, MN, MT, NE, NH, NJ, NY, ND, OH, OR, PA, RI, SD, VT, WA, WI, and WY
- sunflowers.

3 2020 Crop Year Provisions

A Applicable Dates

The applicable dates are as follows:

- Application Closing Date is March 15, 2020
- Final Acreage Reporting Date is August 15, 2020
- Final Planting Date is State specific
- Normal Harvest Date is October 31, 2020.

B Average Market Prices and Yields

The 2020 average market prices and yields for each intended use are established by DAFP and are consistent with Federal crop insurance policies.

Intended Use	Average Market Price	County Expected Yield
Seed	\$0.58 per pound	County and/or State-specific yields will be provided.
Seed Organic	\$1.14 per pound	
Grain	\$0.58 per pound	
Grain Organic	\$1.14 per pound	
CBD	\$3.03 per pound	
Fiber	\$0.08 per pound	

Direct market policies are not currently applicable to hemp.

Notice NAP-204

3 2020 Crop Year Provisions (Continued)

C UH and PP Factors

DAFP has established the following UH and PP factors for all States.

Intended Use	UH Factor	PP Factor
Seed and Grain	89%	41%
CBD	76%	14%
Fiber	83%	38%

D Multi-Peril Crop Insurance (MPCI) and Whole Farm Revenue Protection (WFRP) Policies

Producers who hold hemp licenses may be eligible for MPCI or WFRP policies offered by RMA or NAP policies.

The pilot MPCI program provides APH coverage for eligible producers in certain counties in Alabama, California, Colorado, Illinois, Indiana, Kansas, Kentucky, Maine, Michigan, Minnesota, Montana, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Tennessee, Virginia, and Wisconsin.

Note: WFRP policies are available nationwide.

Although NAP rules for hemp were developed to be consistent with MPCI policy, there are differences. See Exhibit 1 for a comparison of the MPCI and NAP policies.

Multiple benefit exclusion policy in 1-NAP (Rev. 2), paragraph 150, is applicable to producers who may obtain coverage through NAP or RMA policy.

E NCT

All NCT data will be loaded at the national level. State Office approval of the NCT records loaded by the National Office is required. If discrepancies are found, inform the Safety Net Division, otherwise hemp data may not be changed.

F Loss Adjustment

The RMA Loss Adjustment Standard Handbook (LASH) for hemp is available at <https://www.rma.usda.gov/-/media/RMAweb/Handbooks/Private-Developed-Products---20000/Hemp/2020-20600L-Hemp-Loss-Adjustment-Standards.ashx>.

Notice NAP-204

4 Action

A State Office Action

State Offices will:

- ensure that County Offices are notified of the contents of this notice
- load and approve NCT data as required
- contact Devon Marsden by e-mail at **devon.marsden@usda.gov** with questions about this notice.

B County Office Action

County Offices will:

- follow the instructions in this notice for accepting applications for coverage for hemp beginning with crop year 2020
- contact the State Office with questions about this notice.

Comparison of MPCCI and NAP Policies

Table 3: Comparison of RMA and FSA Hemp Policies		
Provision	FSA	RMA
Eligible Types or Uses	Fiber, Grain/Seed, Cannabidiol (CBD)	Fiber, Grain, Cannabidiol (CBD)
Application Closing Date/Sales Closing Date	March 16, 2020	March 16, 2020 Note: May change to February 28 in future years for some States.
Premium Billing Date	January 2021	September 1, 2020
Acreage Reporting Deadline	August 17, 2020 Note: Producers should report acreage immediately after planting to comply with Federal and State regulations.	August 17, 2020
Eligible Counties	Nationwide	As identified by actuarial documents
Processor Contract Requirement Processor: Any business enterprise regularly engaged in processing hemp that possesses all required licenses and permits and that possesses facilities, or has access to such facilities, to process hemp.	Contract must be with an eligible processor and must contain the following provisions: <ul style="list-style-type: none"> • producer promises to deliver all hemp to processor • processor promises to purchase hemp • base contract price, or method to derive a value that will be paid. 	Contract must be with an eligible processor and must contain the following provisions: <ul style="list-style-type: none"> • producer promises to deliver all hemp to processor • processor promises to purchase hemp • base contract price, or method to derive a value that will be paid.
License	Must have license issued by State/Tribe/AMS.	Must have license issued by State/Tribe/AMS.
Grown in a Greenhouse or Other Confined Space	Not eligible for 2020.	Not eligible for 2020.
Coverage Levels (May have different coverage levels by type or use.)	Basic 50/55 (Catastrophic) Additional (buy-up) as high as 65/100	Catastrophic (CAT) Additional (buy-up) as high as 75/100
Minimum Acreage Requirements	0.0001 acres or higher	Grain or fiber: 20 acres CBD: 5 acres

Comparison of MPCCI and NAP Policies (Continued)

Table 3: Comparison of RMA and FSA Hemp Policies (Continued)		
Provision	FSA	RMA
Acreage History	Must have planted hemp in a prior year to obtain buy-up coverage. No planting history requirement for basic 50/55 coverage.	Must have planted hemp in a prior year.
THC Level	Not eligible for payments if THC level exceeds 0.3 percent on a dry weight basis; AMS requires destruction.	Not eligible for payments if THC level exceeds 0.3 percent on a dry weight basis; AMS requires destruction.
No Market for Hemp, Including Contractor Default	Not eligible for payments.	Not eligible for payments.
Quality	Quality adjustments not available.	Quality adjustments not available.
Prevented Planting Eligibility	Yes, prevented planted payment factor is applicable.	No
Rotation	Coverage does not attach if the following crops were grown in prior year: cannabis, canola, dry peas, mustard, rapeseed, soybeans (in northern States), sunflowers.	Insurance does not attach if the following crops were grown in prior year: cannabis, canola, dry peas, mustard, rapeseed, soybeans (in northern states), sunflowers.
Service Fees	\$325 per crop per county \$825 per producer per county \$1,950 for a producer in multiple counties	\$655 per crop per county for CAT \$30 per crop per county for buy-up (plus premium)
Payment Limitation	\$125,000 for basic 50/55 \$300,000 for buy-up	None
Premium	5.25% of liability for every county Maximum per tax ID: Basic 50/55: \$6,562.50 (\$125,000 * 5.25%) Buy-up: \$15,750 (\$300,000 * 5.25%)	Varies by county No maximum
AGI Limitation	\$900,000	Not applicable
Unharvested and Prevented Payment Factors	Applicable	Not applicable