



Changes to the Noninsured Crop Disaster Assistance Program (NAP) for the 2015 Crop Year

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The Agricultural Act of 2014 made important changes to USDA's Noninsured Crop Disaster Assistance Program (NAP). These changes will apply to NAP coverage beginning with the 2015 crop year.

New "Buy-Up" Coverage Option

The most significant change in NAP for the 2015 crop year is that farmers now have the option to purchase a higher level of coverage for their crops.

Up through the 2014 crop year, NAP provided a single level of coverage, so-called "catastrophic" coverage, for crop losses that exceeded 50 percent of expected production, with payment based on 55 percent of the average market price for the crop (as set by USDA). Beginning with the 2015 crop year, farmers will still be able to obtain this basic level of coverage under NAP, but they will also have the option to buy higher levels of coverage. This means that they could receive larger payments for their crop losses.

Buy-up NAP coverage is available at 50, 55, 60, and 65 percent of the farmer's approved yield and 100 percent of the average market price.

	Basic NAP: 50% of yield and 55% of price	50% of yield and 100% of price	55% of yield and 100% of price	60% of yield and 100% of price	65% of yield and 100% of price
Coverage level on application form	50/55	50/100	55/100	60/100	65/100
Maximum NAP payment for total (100%) crop loss	27.5% of crop value	50% of crop value	55% of crop value	60% of crop value	65% of crop value

Changes to NAP for 2015 Crop Year (continued)

Farmers who purchase buy-up coverage under NAP and have a loss due to prevented planting will also have their prevented planting loss calculated at 100 percent of the average market price rather than the 55 percent of average market price used for prevented planting under basic NAP coverage.

Payment factors that reduce NAP payments due, for example, to harvest expenses not incurred, will apply to buy-up NAP coverage the same way they do for basic NAP coverage.

The only crops otherwise eligible for NAP that are not eligible for buy-up NAP coverage are grasses and other crops intended for grazing.

NAP Payment Example			
	Basic NAP Coverage	Buy-up NAP Coverage at 50% of Yield	Buy-up NAP Coverage at 65% of Yield
The farmer's approved yield	110 cwt./acre	110 cwt./acre	110 cwt./acre
The farmer's eligible acres planted to the crop	4 acres	4 acres	4 acres
The farmer's expected production	440 cwt.	440 cwt.	440 cwt.
The NAP coverage level selected by the farmer	50%	50% (could also be 55%, 60%, or 65%)	65% (could also be 50%, 55%, or 60%)
Production level covered by NAP	220 cwt.	220 cwt.	286 cwt.
The farmer's actual production	200 cwt.	200 cwt.	200 cwt.
Difference between actual production and NAP coverage level	20 cwt.	20 cwt.	86 cwt.
The average market price set by USDA	\$20.90/cwt. (Basic NAP only covers 55% of USDA average market price)	\$38/cwt.	\$38/cwt.
NAP payment	20 cwt. X \$20.90 cwt. \$418	20 cwt. X \$38/cwt. \$760	86 cwt. X \$38/cwt. \$3,268

More Specific Market Prices May Be Available

Many farmers have been frustrated with NAP's one-size-fits-all approach to setting average market prices for crops. Although the Agricultural Act of 2014 did not make any changes to price requirements, when USDA adopted changes to the NAP rule to implement the Agricultural Act of 2014 provisions, it included language that allows for different market prices to be used within a state under certain circumstances. The NAP rule change clarifies that when sufficient data is available, USDA may set separate average market prices for the same crop in a single state to reflect different prices farmers receive based on farming practices (conventional or organic) and sales to different markets (wholesale or direct to consumer).

Farmers who want to elect organic pricing when applying for NAP coverage must report their organic acreage of the crop, must be certified organic or exempt from certification, and must provide a copy of their organic plan. USDA will adjust the farmer's yield to reflect yields for crops using organic production methods. The organic price option, where available, will be available for both basic NAP and buy-up coverage.

If established by USDA for a given crop and state, higher prices based on the intended use of a crop, such as direct sales to consumers, are only available to farmers who select buy-up coverage under NAP. Basic NAP coverage – 50% of yield and 55% of average market price with no premium – will be calculated based on the average market price for the most common final use of the crop in that state. Also, farmers who select buy-up coverage but do not have either (1) sufficient records to establish their historical intended and actual markets for the crop for the previous 1-3 years, or (2) a current year contract showing intended use, will also have their NAP coverage calculated based on the average market price for the most common final use of the crop in that state. A farmer who selects buy-up coverage and does have either a current year contract showing intended use or sufficient evidence of historical production and markets for the previous 1-3 years will have NAP coverage and premiums calculated based on a blend of the USDA-established average market price for each intended use based on the percentage of the farmer's production that goes to each use.

On the NAP application form, next to the spaces where the farmer marks which coverage level is wanted, there are spaces where the farmer can select the Organic Option, the Direct Market Price Option, and the HMP (historical marketing percentage) Option.

NAP Service Fees and Buy-up Coverage Premiums

For all coverage levels, the NAP service fee continues to be \$250 per crop per county, up to \$750 per farmer per county, or \$1,875 total per farmer.

Farmers who choose to purchase buy-up NAP coverage will also have to pay a premium calculated as 5.25% of the maximum NAP coverage for the farmer's crop. The maximum NAP coverage is calculated as the farmer's share of the crop, times the number of eligible acres planted to the crop, times the farmer's approved yield per acre, times the NAP coverage level selected by the farmer, times the average market price set by USDA.

Changes to NAP for 2015 Crop Year (continued)

The maximum NAP premium for any one farmer in a year is \$6,562.50 (the maximum NAP payment of \$125,000 times the 5.25 percent premium fee).

Value-loss crops, such as aquaculture, floriculture, and ornamental nursery crops, are eligible for buy-up NAP coverage, but will have their premium calculated as 5.25 percent of the maximum crop value for which the farmer requests coverage in the NAP application.

NAP Cost Example			
	Basic NAP Coverage	Buy-up NAP Coverage at 50% of Yield	Buy-up NAP Coverage at 65% of Yield
The farmer's crop share	100%	100%	100%
The farmer's eligible acres planted to the crop	4 acres	4 acres	4 acres
The farmer's approved yield	110 cwt./acre	110 cwt./acre	110 cwt./acre
The NAP coverage level selected by the farmer	50%	50% <small>(could also be 55%, 60%, or 65%)</small>	65% <small>(could also be 50%, 55%, or 60%)</small>
The average market price set by USDA	\$20.90/cwt. <small>(Basic NAP only covers 55% of USDA average mkt. price)</small>	\$38/cwt.	\$38/cwt.
Maximum NAP coverage	\$4,598	\$8,360	\$10,868
NAP premium (5.25% of maximum NAP coverage)	\$0	\$438.90	\$570.57
NAP service fee	\$250	\$250	\$250
Total cost (premium + service fee)	\$250	\$688.90	\$820.57

Deadlines to Select Coverage Level and Make Payments

Buy-up NAP coverage must be requested by the farmer by the NAP application closing date for the crop. The farmer must pay the NAP service fee before the application closing date for the crop.

If the farmer selects buy-up NAP coverage, USDA will send the farmer a bill for the NAP premium 60 days before the next year's application closing date for the crop.

NAP Fee Waivers and Premium Reductions

For many years, the NAP service fee of \$250 per crop per county, up to \$750 per county or \$1,875 per farmer, has been waived for farmers who qualify as “limited resource” under USDA regulations. Beginning with the 2015 crop year, the waiver of the NAP service fee is expanded to also cover all farmers who qualify as “beginning” or “socially disadvantaged” under USDA regulations.

Farmers in these three categories – “limited resource,” “beginning,” and “socially disadvantaged” – are now also eligible for a 50 percent reduction in premiums for NAP buy-up coverage. This means that in the example given above, the farmer would pay only \$219.45 for 50/100 coverage and \$285.29 for 65/100 coverage.

NAP Cost Example with Fee Waiver and Premium Reduction			
	Basic NAP Coverage	Buy-up NAP Coverage at 50% of Yield	Buy-up NAP Coverage at 65% of Yield
Maximum NAP coverage	\$4,598	\$8,360	\$10,868
NAP premium (5.25% of buy-up coverage)	\$0	\$438.90	\$570.57
Reduced premium for beginning, limited resource, and socially disadvantaged farmers	\$0	\$219.45	\$285.29
NAP service fee – waived	\$0	\$0	\$0
Total cost	\$0	\$219.45	\$285.29

To be eligible for the service fee waiver or premium reduction, farmers must certify their status as beginning, limited resource, or socially disadvantaged at the time they file an application for coverage, if they have not already filed a form CCC-860 certification with USDA.

Additional NAP Changes from the Agricultural Act of 2014

- The maximum NAP payment per person per year is increased from \$100,000 to \$125,000.
- Farmer AGI (adjusted gross income) eligibility was changed to a simple maximum of \$900,000 average annual AGI for each person or legal entity.
- A farmer who plants crops on more than 5 acres of newly tilled native sod will no longer be ineligible for NAP coverage, but will be charged double NAP administrative fees and premiums (up to the maximum premium of \$6,562.50) for the first four crop years and will have reduced approved yields for those years.

Changes to NAP for 2015 Crop Year *(continued)*

- Sweet sorghum and biomass sorghum are added as crops eligible for NAP coverage.
- NAP coverage for “industrial crops” is clarified to include crops grown expressly for the purpose of producing a feedstock for renewable biofuel, renewable electricity, or biobased products. Residues and by-products of crops grown for a purpose other than biofuel are not eligible for NAP coverage. Crops that are invasive or noxious plants are excluded from coverage.
- NAP is now available only if neither catastrophic nor additional coverage is available for the crop under federal crop insurance. Previously NAP was available whenever catastrophic coverage was unavailable for a crop, even if additional coverage was available.

Other NAP Changes Made by FSA

When USDA adopted changes to the NAP rules to implement the changes from the Agricultural Act of 2014, the agency made some additional changes to the program.

- **Farmers growing hand-harvested crops must now notify USDA within 72 hours of when harvest is complete and provide notice of losses within 72 hours of when the damage is first apparent.** This is intended to allow USDA to conduct an accurate loss assessment of crops that may deteriorate rapidly. The 72-hour notice need not be in writing. The 15-day period for filing a written notice of loss remains unchanged.
- Insufficient chill hours will be considered an eligible cause of loss by itself for specific crops and locations where USDA has determined that chill hours are required for the crop to produce and a lack of chill hours is detrimental to crop production irrespective of management.
- The NAP rule change clarifies that ineligible causes of loss include:
 - failure to carry out a good irrigation practice;
 - variance of temperatures from average normal temperatures that are not otherwise specified as eligible causes of loss;
 - managerial decisions to attempt to grow or produce a crop in an area that is not suited for successful commercial production of that crop;
 - failure to follow organic farming practices or contamination by application or drift of prohibited substances onto organic crops;
 - weeds; and
 - any cause of loss that results in damage that is not evident or would not have been evident during the NAP coverage period.
- USDA made detailed changes to the NAP rule regarding the type of protection and containment devices that may be used in aquaculture operations to be eligible for NAP coverage.

Changes to NAP for 2015 Crop Year *(continued)*

- Reduced NAP coverage is now available for the last planting period of multiple-planted crops and multiple-planting periods having defined gaps of at least 60 days between planting periods.
- The rule clarifies that NAP coverage may be available in certain cases when the crop is otherwise eligible for crop insurance but the certain farming practices are not covered due to lack of actuarial data. The unavailability of crop insurance coverage cannot be due to lack of good farming practices or inappropriateness of the crop for the location.
- Farmers who have failed to report acreage or production for years when they did not participate in NAP will no longer be penalized by having an assigned yield or zero-credited yield in their Actual Production History calculation. Instead, farmers may request that yields for “bypass” years from 1995 to 2014 be changed to the higher of 65 percent of the T-yield (estimated county yield) for the current crop year or the farmer’s actual yield for the missing crop year. Farmers who did participate in NAP but failed to report production will still receive assigned yields and zero-credited yields.
- Beginning with the 2015 crop, NAP payment calculations for yield losses may be adjusted for quality losses in limited cases when a specific crop in a given location does not suffer yield losses large enough to result in NAP payments, but does suffer significant quality losses due to eligible causes of loss. The crops and locations eligible for quality adjustments will be identified by USDA before the coverage period, and the farmer must purchase buy-up NAP coverage with a quality loss option to be eligible.
- Losses to grazed acreage may now also be established by additional methods, and USDA clarified how it will handle forage crop acreage intended for mechanical harvest or grazing when such acreage is actually put to another use.



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This educational material is
supported by a grant from the Legal
Services Advisory Committee of the
Minnesota Supreme Court.