THE NONINSURED CROP DISASTER ASSISTANCE Program (NAP) can provide risk management to farmers and ranchers for crops where catastrophic (CAT) levels of Risk Management Agency (RMA) crop insurance coverage are unavailable. NAP is provided by the Farm Service Agency (FSA) of the United States Department of Agriculture (USDA).

The Levels of Financial Assistance
Historically, NAP has covered losses on eligible crops in excess of 50 percent of expected production. The amount of payment has been 55 percent of the NAP market price.

A major change to the NAP program established under provisions of the 2014 Agricultural Act for the crop production years 2015 through 2018 is Buy-Up coverage. NAP Buy-Up covers 100 percent of price, and up to 65 percent of yield. NAP Buy-Up is available for eligible NAP covered crops, other than for crops and grasses intended for grazing. Buy-Up coverage levels for eligible crops are shown in Table 1. The NAP liability cannot exceed $125,000.

NAP Eligible Crops
Any commercial agricultural crop or commodity (except livestock and livestock byproducts) grown for food or fiber for which CAT level crop insurance coverage is not available to the producer may be eligible for NAP coverage.

NAP Eligible Producers
An eligible producer is a landowner, tenant, or sharecropper who shares in the risk of producing a NAP eligible crop, and is entitled to an ownership share of the crop. The 2014 Agricultural Act specifies that an individual or entity's average adjusted gross income (AGI) from all sources must be less than $900,000 to be eligible for NAP payments.

NAP Program Eligibility Requirements
Producers must:
1. certify that they comply with all highly erodible land and wetland conservation requirements, before a disaster;
2. report crop losses within 15 days of the earlier of the date the disaster occurs, the final planting date if planting the crop is prevented, the date the damage becomes apparent, or the normal harvest date;
3. request payment under NAP coverage within 60 days of the last day of coverage for the crop year for any NAP covered crop; and
4. accurately report production information on or before required deadlines; specifically, the acreage and shares for all crops potentially eligible for NAP, crop production history, and current crop year production.

NAP Application
All applications for coverage must be filed and service fees must be paid at the local FSA office by the pertinent application closing dates. The FSA state
committee establishes the application closing dates for all crops. In Montana, there are four closing dates that differ by crop; check with FSA to make sure applications are filed in time.

**Fees and Premiums**

Service fees are applicable for all NAP coverage levels. An eligible producer must pay a service fee of the lesser of $250 per crop or $750 per producer per administrative county, not to exceed $1,875 for a producer operating in multiple counties. There is no premium for basic (CAT) level coverage. For the Buy-Up, the premiums are assessed at 5.25% of the NAP liability, with a maximum of $6,563, as the NAP liability cannot exceed $125,000.

Consider John, a producer who plants 480 acres of barley to be harvested as hay on each of three different 160 acre fields in Pondera County. Because CAT-level RMA insurance coverage is not available for either hay barley or grazed native grass, John can obtain NAP coverage for these crops. He pays fees of $250 for the hay barley and $250 for the rangeland for a total of $500 in fees.

After John has paid applicable services fees for his NAP coverage, he can purchase NAP Buy-Up coverage for the hay barley at a premium rate of 5.25% of the NAP liability. He cannot elect Buy-Up coverage for his sections of native grass because under NAP, crops planted for grazing are covered only at the basic (CAT) level.

John selects 60% Buy-Up coverage for his 480 acres of hay barley. His approved yield, the average of his production history for the past 4-10 years, is 2.0 tons per acre. If four years of NAP records are not available, FSA utilizes *transition yields (T-Yields)*, which are based on the county average yield of the crop. For instance, if there are yields reported for three years, the applicable county T-yield is used for the fourth year.

Let's assume that the average price for hay barley is $104 per ton. The producer share is the share of production the eligible producer has at risk. As an owner-operator, John has a 100 percent producer share.

The following calculations estimate the premium John would pay for his NAP Buy-Up coverage.

**NAP Coverage Guarantee**

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\text{NAP Coverage Guarantee} = \frac{480 \text{ Eligible Acres} \times 2.0 \text{ Approved Yield (tons/acre)} \times 0.60 \text{ Coverage Level} \times 104 \text{ Applicable NAP Price ($/ton)} \times 1.00 \text{ Producer Share}}{100} = \$59,904
\]

**Total Premium**

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\text{Total NAP Guarantee} & \times 0.0525 \text{ Premium Rate} \\
& = \$3,145
\end{align*}
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An online tool to assist in determining eligibility and premium calculation, which has been certified by the Farm Service Agency, is available at [http://fsa.usapas.com/NAP.aspx](http://fsa.usapas.com/NAP.aspx).

Beginning, limited resource, and socially disadvantaged producers are eligible for a waiver of the $250 per crop service fee and a 50 percent premium reduction on NAP Buy-Up protection when they file required certification with FSA. The local FSA office can help determine if you meet the criteria to be considered as a member of one of these groups.

**NAP Payments**

The basic procedures for the calculation of NAP payments for yield-based crops are outlined below.

**Net Production for Payment** = (Eligible Acres x Producer Share x Approved Yield x Yield Coverage Level) - (Production to Count)

The eligible acres for a crop are determined by FSA. *Production to Count* is all harvested, appraised, and assigned production for a unit and is also determined by FSA.

**Calculated NAP Payment** = (Net Production for Payment x Applicable Price x Price Percentage x Payment Factor) - (Salvage Value)

The applicable price is set by the FSA state committee or national office. To reflect a decrease in production costs, payment rates are reduced by payment factors for crops that are not harvested. Payment factors are specified by FSA. The *Salvage Value* is estimated if the crop is damaged such that it has no value for any intended use. The damage must be a result of natural disaster.

**Example:** Consider NAP payments for hay barley enrolled at different coverage levels. One producer, Joe, uses NAP at the CAT level. A neighboring producer, Shelly, chooses Buy-Up NAP coverage at 60 percent of the approved yield level. A widespread hailstorm greatly reduces the hay barley harvest. Both Joe and Shelly usually get around 2 tons of hay per acre but will only harvest 0.6 tons per acre this crop year. Each ranch has 200 acres of hay barley. The two ranches each lost 280 tons of hay barley. Joe paid FSA a $250 service fee.
to have NAP coverage at the CAT level and received $4,576 in financial assistance:

Joe’s Net Production for Payment per Acre
( 100% Producer Share 
 x 2.0 Approved Yield [tons/acre] 
 x 50% Yield Coverage Level) 
- 0.6 Production to Count (tons) 
= 0.4 tons

Joe’s Calculated NAP Payment per Acre
( 0.4 Net Production for Payment [tons/acre] 
 x 104 Applicable Price [$/ton] 
 x 55% Price Percentage) 
- 0 Salvage Value 
= $22.88

Joe’s Total NAP Payment
$22.88 Calculated NAP Payment/acre 
 x 200 Acres 
= $4,576

Shelly produces the same uninsurable hay barley crop but decides that she will purchase Buy-Up coverage at the 60 percent level. She pays the $250 service fee and also a premium of $1,310 ($6.55 per acre) for the Buy-Up to 60 percent yield coverage. After the hail damage on her hay, Shelly receives total financial assistance of $12,480, or $11,170 net of her premium:

Shelly’s Net Production for Payment per Acre
( 100% Producer Share 
 x 2.0 Approved Yield 
 x 60% Yield Coverage Level) 
- 0.6 Production to Count (tons) 
= 0.6 tons

Shelly’s Calculated NAP Payment per Acre
( 0.6 Net Production for Payment [tons] 
 x $104 Applicable Price/ton 
 x 100% Price Percentage) 
 x 1.0 Payment Factor) 
- 0 Salvage Value 
= $62.40

Shelly’s Total NAP Payment (less Premium Payment)
( $62.40 Calculated Nap Payment/Acre 
 - $6.55 Premium per Acre) 
 x 200 Acres 
= $11,170

Shelly receives $11,170 net of her premium, or an additional $7,904 ($12,480 - $4,576) of financial assistance for the $1,310 premium she paid. Keep in mind, both Shelly and Joe paid a $250 service fee to purchase their NAP coverage.

Grazing
Grazing is treated differently under NAP. Only CAT level coverage is available, and the units are Animal Unit Days (AUD), rather than a quantity of crop harvested. Grazing losses are valued by the Animal Unit Day Value (AUD value) set annually by FSA at the national level.

For purposes of NAP, an Animal Unit (AU) is a standard expression of livestock based on a daily net energy maintenance, equal to 13.6 Mcal (megacalorie). Information on animal units and animal unit conversions for specific counties can be found at the local FSA office. The AUD value is set annually by the FSA National Office; the AUD value for 2015 is $1.4130.

The procedure for calculating the NAP payments for rangeland is as follows:

Total Expected Animal Unit Days = Eligible Acres of Rangeland/Normal Carrying Capacity x Days in Grazing Period

Animal Unit Days Eligible for Payment = (Appraised Percent AUD Loss - 50% Normal AUD) x Total AUDs

Calculated NAP Payment = AUDs Eligible for Payment x AUD Value x 55%

Normal carrying capacity is specified by grazing type and species as to the number of acres that would be required to support an animal unit for the grazing season. Grazing season length is defined by the state FSA committee by designating the beginning and ending dates for the grazing season.

For forage losses on rangeland and pasture, FSA personnel or FSA-approved appraisers determine the level of grazing loss due to a natural disaster.

Example: Let us return to John’s four sections of native grass in Pondera County, for which he has paid a $250 fee for the basic level of coverage. John is an owner-operator, so he has 100% share in these 2,560 acres. Suppose that the carrying capacity, set by the FSA County Committee, is 35 acres per animal unit. Suppose the typical grazing period, also set by the FSA County Committee, is 215 days. Therefore, the number of expected animal unit days (AUDs) for the year is 15,725.
A 70% grazing loss occurs as a result of drought. Because NAP on grazing land only covers losses in excess of 50%, 20% of the loss will be covered, and 3,145 AUDs are eligible for payment. At an AUD value of $1.4130 with the basic NAP coverage of 55% of the price, John’s payment will be $2,444.

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\text{Expected AUDs} & = \left( \frac{2,560 \text{ Eligible Acres}}{35 \text{ Normal Carrying Capacity [Acres/AU]}} \right) \times 215 \text{ Grazing Period (days)} \\
& = 15,725 \\
\text{Expected AUDs Eligible for Payment} & = 15,725 \times 0.20 \\
& = 3,145 \\
\text{NAP Payment} & = 3,145 \times 1.4130 \times 0.55 \\
& = 2,444
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**Multiple benefits**

FSA procedure states that producers cannot be compensated by NAP in addition to any other program administered by the Secretary of Agriculture, for the same loss. However, this limitation on multiple benefits specified above does not apply to Emergency Loans, Livestock Forage Program (LFP) payments, Tree Assistance Program (TAP) payments, and Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish (ELAP) programs, as of 2015.

**References**