

# **Risk Management Education for Alternative Crops**

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*Production Risk Management When*

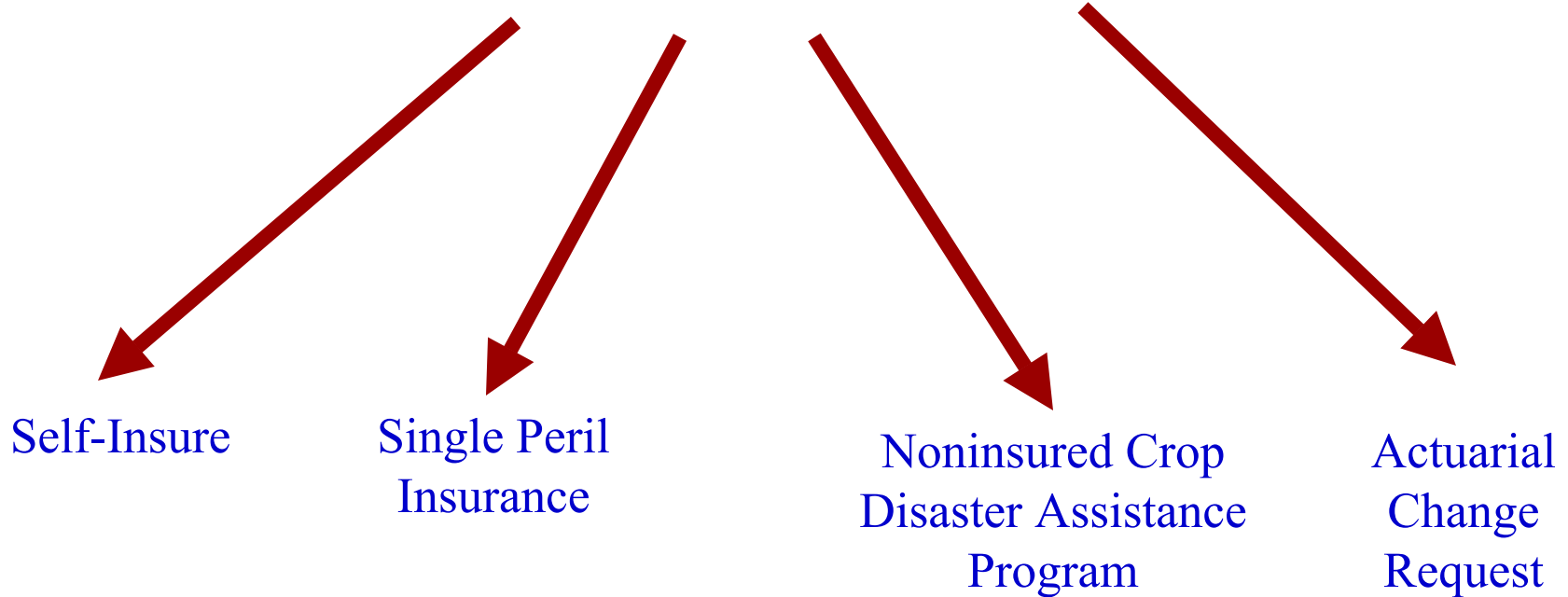
*RMA Coverage is Unavailable*

**November 2001**

# Choices

when

NO RMA Offerings



# **The Noninsured Crop Disaster Assistance Program**

# NAP

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- **This program is managed by the Farm Service Agency, not RMA**
- **NAP rules and regulations are changing. (Now actions must be taken prior to a loss.)**
- **The program covers noninsurable crop losses and prevented plantings resulting from natural disasters.**

# NAP-Eligible Crops

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**Eligible crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber for which the *catastrophic* level of crop insurance is unavailable.**

# NAP-Eligible Producers

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**An eligible producer is a landowner or tenant who shares in the risk of producing the crop.**

# Eligible Natural Disasters

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**An eligible natural disaster is any of the following:**

- ***Damaging weather* such as drought, excessive moisture, or hurricane**
- ***Adverse natural occurrence* such as an earthquake or flood**
- ***Related condition* such as excessive heat or insect infestation associated with damaging weather or an adverse natural occurrence.**

# Applying for NAP Coverage

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- **Producers must file their *Applications for Coverage***
- **Producers must pay the applicable service fees to their local FSA office**
  - \$100 per crop per county
  - \$300 per producer per administrative county
  - \$900 per producer in all counties
- **Assistance is offered at the *basic unit* level following RMA definitions**
- **Applications must be filed by the *application closing date* as established by the state FSA Committee. Generally these correspond to crop insurance closing dates. For instance, the closing date for many spring-planted crops will likely be March 15.**



# Coverage Periods

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**The coverage period for annual crops begins the later of:**

- 1. 30 days after the producer applies for coverage and pays applicable fees**
- 2. The date the crop was planted, not to exceed the *final planting date*.**

**(Final planting dates will vary by crop)**

# Coverage Periods

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**The coverage period for an annual crop ends the earlier of:**

- 1. The date the producer completes the crop harvest**
- 2. The *normal harvest date* for the crop**
- 3. The date the crop is abandoned**
- 4. The date the entire crop acreage is destroyed by the producer**

**(The normal harvest date varies by crop)**

# Reporting Requirements

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- **Farm managers must annually report both acreage and production information**
- **Local FSA offices will advise producers of reporting dates**

# Crop Acreage Information

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**Farm managers should report crop acreage soon after planting. The farm manager must report the following crop information:**

- **Name of the crop, i.e., *clover***
- **Type and variety, i.e., *red***
- **Location and acreage of crop**
- **Producer's share of the crop and the names of other producers with an interest in the crop**
- **Type of practice used to grow the crop, i.e., *irrigated***
- **Date the crop was planted-by field if there are several**
- **Intended use of the commodity, i.e., *processed***

# Production Information

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**The farm manager must annually provide the following production information:**

- **The quantity of all harvested production of the crop in which they had an interest during the crop year**
- **The disposition of the harvested crop, such as whether it was marketable, unmarketable, salvaged, or used differently than intended**
- **Verifiable and reliable production records, when required**

# Approved Yield

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- The Farm Service Agency used the acreage and production information to calculate an *approved yield*
- The *approved yield* is considered the expected production for the crop year
- An *approved yield* for an individual is usually the average of the producer's actual production history for a minimum of 4 years and a maximum of 10 years

# NAP Assistance After a Disaster

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- **When a producer's crop or planting is affected by a natural disaster, the producer must notify the FSA office and complete the *Notice of Loss* section of the *Application for Payment* form within 15 days of the following:**
  - **Natural disaster occurrence**
  - **Final planting date if the farm manager's planting was prevented by a natural disaster**
  - **Date damage to the crop or loss becomes obvious to the producer**
  - **The normal harvest date**

# Production Loss

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- **The natural disaster must have reduced the expected production of the crop by more than **50%**.**
- **FSA compares expected production (producer's approved yield), the production expected in the absence of a natural disaster, to the actual production to determine the percentage of crop loss**



# FSA Calculation of NAP Payments

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- **NAP covers the amount of production loss greater than **50%** of expected production**
- **The per unit payment rate that FSA specifies is **55%** of the average market price of the commodity, as established by the state FSA committee**
- **The calculated NAP payment may be reduced by a factor reflecting the decrease in production costs—for an instance exotic peas might have factors of 1.0 if the crop is harvested, 0.93 if the crop is unharvested, or 0.60 if there is prevented planting. These factors will vary by crop within each state.**

# Example of NAP Financial Assistance

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- **A producer of exotic peas has an approved yield of 1,600 pounds per acre**
- **The state FSA office established an average market price of \$0.06 per pound.**
- **Due to a severe drought the producer harvested 380 pounds per acre of exotic peas**

# Example of NAP Financial Assistance (cont.)

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- The producer's total loss from expected production is 1,220 pounds (1,600-380)
- This is a 76.25% loss greater than 50%, so eligible for NAP assistance
- The production loss covered is 420 pounds, (1,220 pounds loss – (1,600 pounds x 0.50))

# Example of NAP Financial Assistance (cont.)

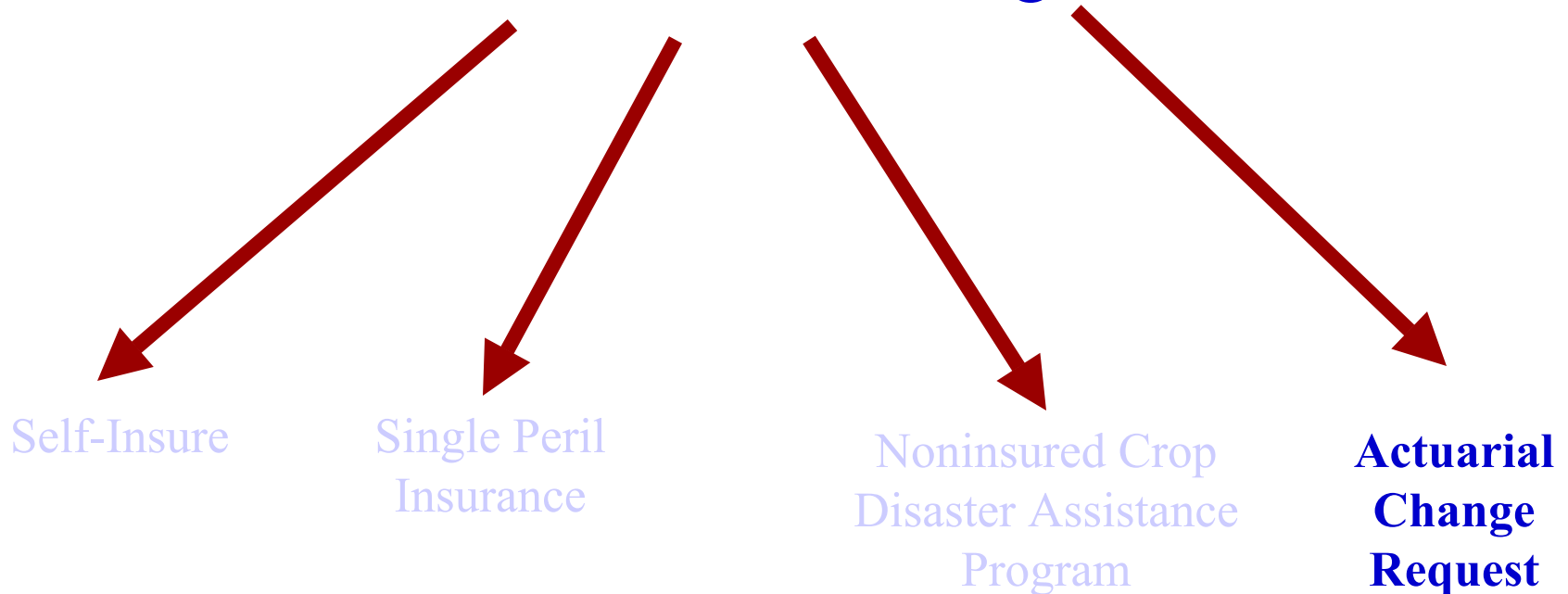
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- **The FSA payment rate for exotic peas is \$0.033 per pound, ( $\$0.06 \text{ per pound} \times 0.55$ )**
- **The per acre payment is \$13.86 ( $\$0.033 \times 420$ ) x 1.0**
- **This particular producer had 100 acres of exotic peas, so the NAP payment is \$1,386**

# Choices

when

NO RMA Offerings



# A Request For Actuarial Change

# What Happens With *A Request for Actuarial Change?*

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- A successful request for Actuarial Change results in a *Written Agreement*
- A *Written Agreement*, if accepted by the farm manager is an individualized crop insurance contract on the subject crop for the specified county for that crop year

# The Request for Actuarial Change Process

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- **This process is usually initiated with the farm manager conferring with the local crop insurance agent.**
- **The farm manager and the crop insurance agent completes the appropriate form, FCI-5, *Request for Actuarial Change*.**



# Information Required

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- **Completion of the request form requires the following information:**
  - The producer's name and address
  - The crop, type, and practice-*(wheat, winter, summer fallow)*
  - The location of the proposed production
  - Crop production history for the subject crop or a *similar* crop
  - Farm Service Agency aerial photography of the proposed location
  - Some evidence of the adaptability of the crop

# Clarification of the Information Requested

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- Location of proposed production requires the legal description
- Crop production history of the subject or *similar* crop needs to be provided. If the farm manager's subject crop is a broadleaf, other broadleaf crops would be considered a *similar* crop
- The crop production history should include acres, yield, and production for a minimum of *three* years.

# Completed Request

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- **The completed *Request for Actuarial Change* is forwarded by the manager's crop insurance agent to the private sector insurance company for research and review**
- **Subsequent to the insurance company's review for completeness and accuracy, the request is forwarded to the regional office of RMA**

# RMA Evaluation of the *Request for Actuarial Change*

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- RMA specialists will first determine the adaptability of the subject crop
- There usually has to be a regular multiple peril crop insurance available somewhere in the United States for the Request for Actuarial Change to be successful
- With a positive determination of adaptability of the subject crop, RMA specifies a *reference county*

# RMA Evaluation of the *Request for Actuarial Change (cont.)*

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- Consider a farmer in County A filing a request for exotic peas. County B, one of four counties in the state with a crop insurance actuarial table for exotic peas, is chosen as the reference county because it closely approximates County A's growing conditions
- RMA then thoroughly reviews the farm's production history for the subject or similar crop. RMA prepares the *Written Agreement* with the premium method specified

# The Written Agreement

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- **The farm manager is provided the Written Agreement**
- **The premium method is specified**
- **An insurable price is specified by RMA for the subject crop**
- **The farm manager may denote a price election for the subject crop from 55 to 100% of the specified price**
- **The farm manager is advised of the APH yield for the crop as specified by RMA**
- **The farm manager may select 50, 55, 60, 65, 70 or 75% yield coverage**

# Written Agreement: Final Steps

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- **The Written Agreement is returned to RMA with price and yield elections noted**
- **RMA determines the premium rate according to the premium method previously specified**
- **If the farm manager signs a Written Agreement at the specified premium rate, it is accepted**

# Annual Planted Crops and Fallow in Wyoming, 2000 Crop Year

CROP	PLANTED ACRES	COMMENTS
Program Crops:		
Barley	105,000	mostly irrigated
Corn	85,000	irrigated
Oats	65,000	½ acres irrigated
Spring Wheat	11,000	1/5 acres irrigated
Winter Wheat	<u>190,000</u>	1/20 acres irrigated
Subtotal	456,000	62.2% of total
Other Crops:		
Dry edible beans–		
Great Northern	7,000	irrigated
Navy	2,000	irrigated
Pinto	26,000	irrigated
Other	1,000	irrigated
Sugar beets	<u>61,000</u>	irrigated
Subtotal	97,000	13.2% of total
Fallow:	180,000	24.6% of total
Total, Cropland for Annually-planted Crops*	733,000	100.0%

\* This is summer fallow associated with spring and winter wheat calculated using the acreage weighted ratio of spring and winter wheat following fallow to all wheat acres in the years 1990 through 1995 applied to the crop year 2000 acres of wheat planted on non-irrigated cropland. In 1997, Census of Agriculture reported 230,780 acres of cultivated summer fallow.

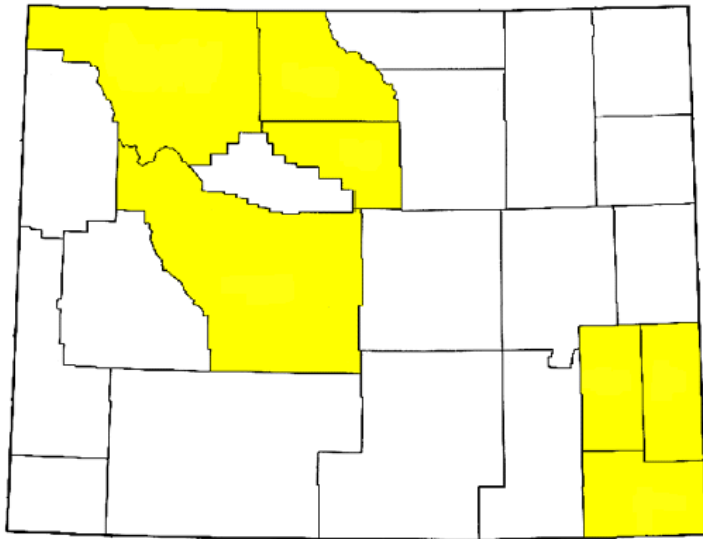
\*\* This is not an exhausted accounting of all annually planted crops but includes all crops individually estimated by NASS in Wyoming.



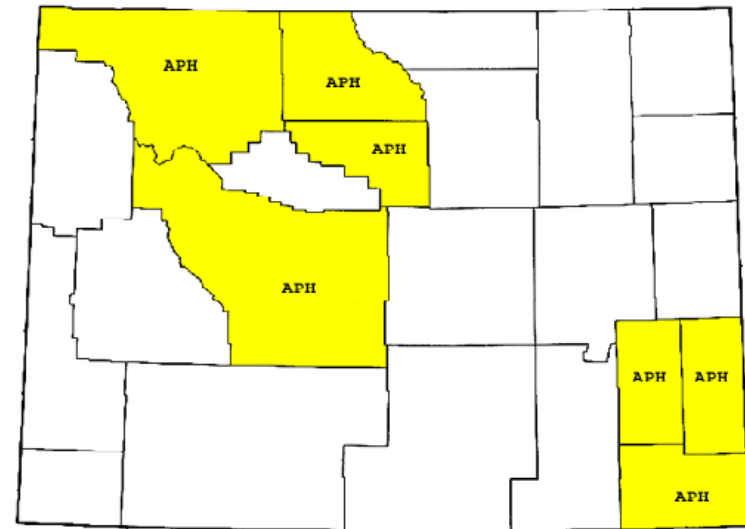
# Dry Bean Maps, 2000 Crop Year

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Map 1A: Dry Bean Production, 2000 Crop Year



Map 1B: Insured Counties for Dry Beans, 2001 Crop Year





**Questions?????**