



Managing Revenue Risk: How to Determine if NAP or Other Revenue Insurance Products Are a Fit for Your Business

2018 Farmers Market Boot Camps

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Overview

- Basics of Revenue Insurance
- The Importance of Adequate Records
- Overview
 - Noninsured Disaster Assistance Program (NAP)
 - Whole Farm Revenue Protection (WFRP)
- Resources

Two take away points:

- 1) The importance of maintaining strong financial and production records.
- 2) Objectively assess current and future crop insurance products to determine the suitability for your operation.

What is Revenue Protection Crop Insurance?

- Provides a payment if actual crop revenue falls below a revenue guarantee.
- Revenue Guarantee = Expected Revenue x Coverage Factor.
 - If Actual Revenue is greater than the Revenue Guarantee then no payment.
 - If Actual Revenue is less than the Revenue Guarantee then payment equals revenue guarantee minus actual revenue.

Why Purchase Revenue Protection Crop Insurance?

- Can be a good tool to help manage production, financial, and marketing risk.
 - Helps cover the cost of inputs used.
 - Can assist in obtaining financing.
 - Provides a level of revenue certainty.
 - Protects against a cause of loss that is outside of your control.

Types of Revenue Insurance Products

- Multi Peril Crop Insurance (MPCI)
- Whole Farm Revenue Protection (WFRP)
- Noninsured Disaster Assistance Program (NAP)

Configuration Tools Window Help Back Office Other Systems

Exchange Office
Mail / Messenger
History Records
Training Module
Calendar
Calculator
Currency Converter
Language
Background

Hotel: Hotel New York

Reservation Change History

Search Criteria
Reservation No. Field Date From Max Rows
CC expire date 05-02-2003 100 Search

Table Action Computer Date To Rows Returned
Reservation Update 05-02-2003 100 Print

Reservation Number	Table Name	Action	Column Name	Old Value	New Value	Modif...	Modified Date
346	Reservation	Update	TimeStamp	Ago 2 2002 10:45AM	Sep 3 2002 12:09PM	dbo	03-09-2002 12:09:2
329	Reservation	Update	TimeStamp	Ago 2 2002 10:45AM	Sep 3 2002 12:09PM	dbo	03-09-2002 12:09:2
343	Reservation	Update	TimeStamp	Ago 2 2002 10:45AM	Sep 3 2002 12:09PM	dbo	03-09-2002 12:09:2
339	Reservation	Update	TimeStamp	Ago 2 2002 10:45AM	Sep 3 2002 12:09PM	dbo	03-09-2002 12:09:2
348	Reservation	Update	TimeStamp	Ago 2 2002 10:46AM	Sep 3 2002 12:09PM	dbo	03-09-2002 12:09:2
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304	Reservation	Update	Locked	Yes	No	fsadmin	03-09-2002 12:29:3
304	Reservation	Update	Locked by		fsadmin	fsadmin	03-09-2002 12:29:3
304	Reservation	Update	TimeStamp	Sep 3 2002 12:29PM	Sep 3 2002 12:29PM	fsadmin	03-09-2002 12:29:4
304	Reservation	Update	TimeStamp	Sep 3 2002 12:29PM	Sep 3 2002 12:29PM	fsadmin	03-09-2002 12:29:4
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308	Reservation	Update	Locked	Yes	No	fsadmin	11-09-2002 14:40:4

VS



WHY IS GOOD RECORD KEEPING IMPORTANT

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What are Financial and Production Records Used for?

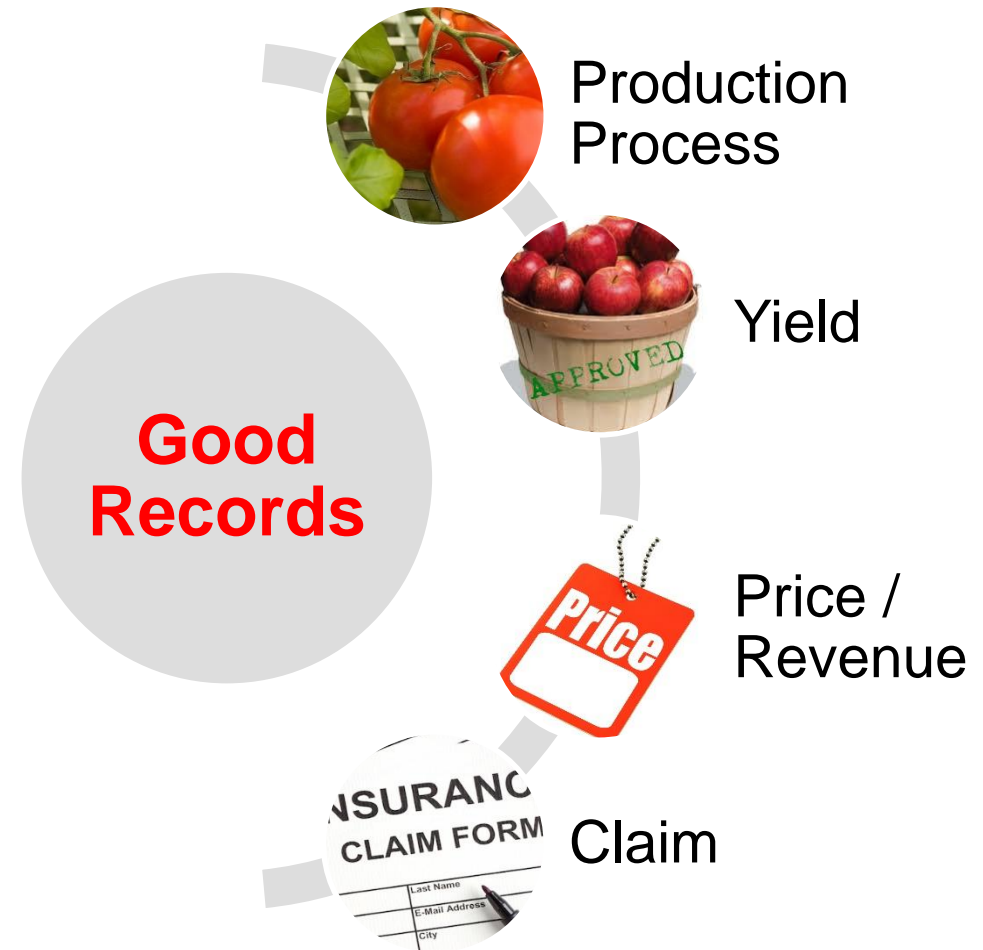
- It is a source of data that can be used to make actionable decisions to improve the efficiency, increase profitability, and reduce risk on your farm.

Maintain Good Records!

Good records are essential for producers to make informed management decisions.

Have a data management system that allows for:

- Collection
- Organization
- Analysis
- Results
- Implementation



For Crop Insurance Products Good Production and Financial Records....

- Allows you to participate in current and future crop insurance products.
- Allows you to evaluate different products or coverage levels.
- Determine how to become eligible for crop insurance products.



NONINSURED DISASTER ASSISTANCE PROGRAM (NAP)

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Noninsured Disaster Assistance (NAP) Basics

- Provides financial assistance to producers of non insurable crops to protect against natural disasters that result in lower yields or crop losses, or prevents crop planting.

NAP - Eligible Cause of Loss

- Damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind or hurricanes;
- Adverse natural occurrences, such as earthquake or flood; and
- Conditions related to damaging weather or adverse natural occurrences, such as excessive heat, plant disease, volcanic smog (VOG) or insect infestation.

NAP - Ineligible Causes of Loss

- Failure to carry out good farming practices
- Variance from normal temperatures unless due to an eligible cause of loss
- Deviation from best planting practices & proper containment devices in aquaculture
- Failure to follow organic farming practices
- Weeds
- Negligence or mismanagement



NAP - Coverage Levels

- Catastrophic level risk protection plan of insurance coverage, which is based on the amount of loss that exceeds 50 percent of expected production at 55 percent of the average market price for the crop. (application fee)
 - 27.5% of benchmark revenue.
- Higher levels of coverage ranging from 50 to 65 percent of production, in 5 percent increments, at 100 percent of the average market price. (additional premium).

NAP - Service Fees and Premiums

- For all coverage levels, the NAP service fee 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 electing higher coverage levels must pay an additional premium.

*Premium = Share of crop * Acres * Approved yield *
Coverage level * Average market price *
A 5.25% premium fee*

How to Estimate your Premium

- Go to this website: <http://fsa.usapas.com/NAP.aspx>
- Select “Tennessee” from the drop down menu
- Select your county
- Select your crop type (if it isn’t listed, then RMA doesn’t cover it and you are eligible for coverage)
- Click the tab titled “NAP Crop Information”

NAP Crop Eligibility, Premium, and Payments Estimator

Enter Your Location Information

Tennessee Anderson Reset Page

RMA Check NAP Crop Information

Enter Your Crop Information

Select Crop

Beginning, limited resource, and targeted underserved farmers or ranchers are eligible for a waiver of the service fee and a 50 percent premium reduction.

How to Estimate your Premium cont...

- From the drop down menu, select your crop
- Select Crop Type
- Select Practice
- Select Intended Use
- Select Planting Period
- This will give you the market price, expected yield, unit of measure, the application closing date, the date that the acreage must be reported by and the unharvested factor %

Enter Your Crop Information

SQUASH	ACORN SQUASH	Not Irrigated
Fresh	1	

FSA Market Price	FSA Expected Yield	Unit of Measure	App Close Date	Acreage Report Date
\$32.61	144.33	Hundredweight	03/15/2015	07/15/2015
Unharvested Factor				
50.00 %				

Information Required to Remain Eligible for NAP

- To be eligible for NAP assistance, the following crop acreage information must be reported:
 - Name of the crop (lettuce, clover, etc.);
 - Type and variety (head lettuce, red clover, etc.);
 - Location and acreage of the crop (field, sub-field, etc.);
 - Share of the crop and the names of other producers with an interest in the crop;
 - Type of practice used to grow the crop (irrigated or non-irrigated);
 - Date the crop was planted in each field; and
 - Intended use of the commodity (fresh, processed, etc.).

Applying for Coverage

- Eligible producers must apply at their local FSA office
- Service fees are due at the time the application is submitted
- Application closing dates will vary depending on crop type
- <https://www.fsa.usda.gov/state-offices/Tennessee/index>
- <https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index>

NAP 2018 Application Closing Dates

Crops	Application Closing Date	Comments
Nursery	May 1 st	Ornamental & non-ornamental shrubs, trees, & foliage
Barley, Canola, Christmas Trees, Grass, Oats, Peas, Radishes, Rye, Strawberries, Triticale, Wheat	September 1 st	Grass for Sod, Peas for Grazing, & Daikon Radishes & Radishes marketed as Fresh or Seed
Apples, Blueberries, Caneberries, Cherries, Grapes, Peaches, Plums	November 1 st	
Honey	December 1 st	
Beets, Broccoli, Cabbage, Carrots, Cauliflower, Greens, Onions, Radishes	January 31 st	Hybrid Radishes marketed as Fresh
Turnips	February 1 st	
Sunflowers	February 28 th	
Alfalfa, Beans, Cantaloupes, Corn, Eggplant, Grass, Leeks, Lespedeza, Millet, Mixed Forage, Okra, Peas, Peppers, Potatoes, Sweet Potatoes, Pumpkins, Scallions, Sorghum Forage, Soybeans, Squash, Tomatillos, Tomatoes, Vetch, Watermelon	March 15 th	Grass for Forage & Grazing & Peas for Fresh, Seed, & Forage

* This list is not all inclusive for every crop or commodity that may be covered under NAP

* All crops are not covered in all counties

* Some crops may be covered for certain uses but not for others (ie., corn used for grain is not covered in the majority of counties whereas corn marketed as fresh corn is covered)

* For more information, contact your local FSA office. To find your local FSA office, follow this link: <https://offices.sc.egov.usda.gov/locator/app?state=us&agency=fsa>

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Providing Notice of Loss and Applying for Payment

- Notice of Loss and Application for Payment must be completed within 15 calendar days of the earlier of:
 - A natural disaster occurrence;
 - The final planting date if planting is prevented by a natural disaster;
 - The date that damage to the crop or loss of production becomes apparent; or
 - The normal harvest date.

NAP Payment

- The NAP payment is calculated by unit using:
 - Crop acreage;
 - Approved yield;
 - Net production;
 - Coverage level elected by the producer;
 - An average market price for the commodity established by the FSA state committee; and
 - A payment factor reflecting the decreased cost incurred in the production cycle for a crop that is not harvested or prevented from being planted.



WHOLE FARM REVENUE PROTECTION (WFRP)

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Whole-Farm Revenue Protection (WFRP)

- Provides insurance coverage for all commodities on the farm under one insurance policy.
- Coverage is provided for the duration of the producer's tax year.
- USDA RMA product – Not USDA FSA product
 - Purchased through an approved insurance provider (crop insurance agent).

WFRP - Coverage

- The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue (tax revenue).
 - No CAT coverage
 - Coverage levels range from 50 percent to 85 percent.
 - Three commodity requirement for 80-85% coverage levels.

WFRP - Premium Subsidy

- Farms with two or more commodities will receive a whole-farm premium subsidy as long as the minimum diversification requirements are met. Farms with one commodity will receive the basic level of premium subsidy.

WFRP - Notice of Loss

- You must submit a notice of loss within 72 hours after discovery that revenue for the policy year could be below the insured revenue.
- You must make claims no later than 60 days after the date you submit farm tax forms to the IRS.



CONCLUDING THOUGHTS

Create A Strong Network for Information and Advise

- Crop insurance is an choice that uses individual farm characteristics so rely on analysis/information provided by:
 - Crop Insurance Agent
 - Extension Agent / Specialist
 - Agricultural Lender
 - Farm Service Agency
- If you don't know or would like more information ask!

Take Home Message

- Maintain good production and financial records they make all the difference.
- Crop insurance can be a valuable tool to assist producers in managing their production, marketing, and price risk.
- Evaluate products and coverage levels annually.
- Actively seek out new / improved crop insurance information.
- Several options exist do your own analysis or work with a qualified crop insurance specialist to see what crop insurance options work for your operation.

Resources

- USDA FSA
 - NAP Home:
<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index>
- USDA RMA
 - WFRP Home:
<https://www.rma.usda.gov/policies/wfrp.html>
- University of Tennessee Extension
 - Crop Economics:
<https://ag.tennessee.edu/arec/Pages/cropeconomics.aspx>



Questions?

THANK YOU!

This project funded in part by a cooperative agreement with USDA Farm Service Agency in Tennessee.

FSA's authority to enter cooperative agreements includes the:

- Agricultural Act of 2014, Section 1614(c)(3), with qualified universities or university-based organizations to develop online tools and with State extension services to educate farmers and ranchers; and
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