

## Crop Insurance Options for Limited Resource Producers and Producers of Noninsurable Crops

Jericho Bicknell

UVM Extension Risk Management Coordinator

As of May 25, 2007, agricultural disaster aid for American farmers and ranchers is only available to those producers who obtain crop insurance coverage or coverage under the Non-Insured Crop Disaster Assistance Program (NAP).

Luckily, this does not mean that producers who simply cannot afford an additional expense are excluded from aid in the case of a natural disaster. There is crop insurance available for farmers of all income levels and producers of all manner of crops from vegetables and grain to strawberries and maple sap. Catastrophic (CAT) coverage and the Non-Insured Crop Disaster Assistance Program (NAP) are good options for limited resource producers and those producing noninsurable crops.

### CAT Coverage:

Catastrophic or CAT Coverage insures the farmer for losses over 50% of their Actual Production History (APH) yields. This means that if APH yield for corn is 20 tons/acre, a farmer with CAT coverage will receive an indemnity payment if this year's yield is less than 10 tons/acre. The indemnity payment is calculated by multiplying the insured loss by 55% of the market price of that crop (as established by the USDA Risk Management Agency).

The following table illustrates a possible scenario for 50 acres of apples insured at the catastrophic level of coverage.

	Apples
Planted Acres	50
APH Yield	500 bu/acre
RMA Projected Price	\$13.25 (fresh)
Indemnity Price (55%)	\$7.29
Guaranteed Yield (50%)	250 bu/acre
Actual Yield	175 bu/acre
Insured Loss	75 bu/acre @ \$7.29/bu
Indemnity Per Acre	\$546.75
Total Payment	\$27,337.50

The premium for CAT Coverage is 100% subsidized by the Federal Crop Insurance Corporation and therefore the only cost to the farmer for this type of coverage is a \$100 administrative fee per crop per county regardless of the amount of acreage insured. Farmers may be eligible to waive this fee if their total coverage guarantee is less than \$500. Contact your local crop insurance agent to find out more about CAT coverage.

### Non-Insured Crop Disaster Assistance Program:

The Non-Insured Crop Disaster Assistance Program (NAP) is a program run by the USDA Farm Service Agency in order to provide assistance to producers of noninsurable crops in the case of low yields, loss of inventory, or prevented planting caused by a natural disaster. Eligible crops include:

- Crops grown for food;
- Crops planted and grown for livestock consumption (i.e. grain, forage crops, native forage, etc.);
- Crops grown for fiber, such as flax (excluding trees);
- Crops grown under a controlled environment such as mushrooms and floriculture;
- Specialty crops such as honey and maple sap;
- Value loss crops such as aquaculture, Christmas trees, ginseng, ornamental nursery, and turfgrass sod;
- Sea oats and sea grass; and
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

NAP is similar to CAT in the cost and payment structure. Farmers must pay an administrative fee of \$100 per crop, but this fee will not exceed \$300 per producer per county and it also may be waived for limited resource producers. Like CAT coverage, NAP insures the farmer for losses over 50% of their APH, and pays 55% of the average market price established by the FSA state committee for those losses. The table below illustrates a possible scenario for 2 acres of strawberries enrolled in NAP.

	Strawberries
Planted Acres	2
APH Yield	51 cwt/acre
FSA Projected Price	\$186.67/cwt
Indemnity Price (55%)	\$102.67/cwt
Guaranteed Yield (50%)	25.5 cwt/acre
Actual Yield	15 cwt/acre
Insured Loss	10.5 cwt/acre @ \$102.67/cwt
Indemnity Per Acre	\$1,078
Total Payment	\$2,156

To find out if you more about NAP, contact your local Farm Service Agency office.

**The deadline to sign up for CAT or NAP coverage is March 15<sup>th</sup> so contact a crop insurance agent or your local Farm Service Agency office today!**