“Risky Business”

27th Women in Ag Conference
Kearney, Nebraska - February 23/24, 2012
Farming today takes more than a tractor & a plow....

This workshop will explore different programs USDA offers that can help you manage risk on your operation.
The BIG Picture

“Total Risk Management”
Getting Started:

- Crop Insurance
- SURE Crop Disaster
- NAP Crop Insurance
- Livestock Disaster Programs
- ACRE Program
Crop Insurance

• Risk Management Agency (RMA)

• Sold through private crop insurance agents

• Many FSA disaster programs require crops being insured

• Many different types, but most common are:
  – Yield & Revenue policies
Crop Insurance

FSA doesn’t administer crop insurance, but for more information, visit:

www.rma.usda.gov
### 2008 USDA Farm Service Agency Disaster Assistance Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>DESCRIPTION</th>
<th>ELIGIBILITY REQUIREMENT</th>
<th>RISK MGMT REQUIREMENT</th>
<th>PAYMENT METHOD</th>
<th>PAYMENT LIMITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SURE (Supplemental Revenue Assistance Payments)</strong></td>
<td>Provides benefits for farm revenue losses</td>
<td>Farm must either: 1) be in a county with a USDA Secretarial Disaster Designation or contiguous county 2) have an overall 50% production loss due to adverse weather</td>
<td>All crops in all counties must be covered by crop insurance or NAP</td>
<td>80% of the difference between the SURE guarantee and farm revenue</td>
<td>$100,000 combined</td>
</tr>
<tr>
<td><strong>LFP (Livestock Forage Disaster Program)</strong></td>
<td>Provides benefits for grazing land affected by drought; public grazing land affected by wildfire or drought</td>
<td>Grazed land must be in county designated severely affected (Drought Monitor D2 status or higher) for minimum of 8 consecutive weeks during grazing period</td>
<td>Grazed land must be covered by crop insurance or NAP</td>
<td>60% x monthly feed cost; multiplied (1x, 2x, or 3x) by severity of drought; 50% x monthly feed cost for wildfires</td>
<td></td>
</tr>
<tr>
<td><strong>LIP (Livestock Indemnity Payments)</strong></td>
<td>Provides benefits for livestock death losses due to adverse weather</td>
<td>Losses in excess of normal mortality</td>
<td>None</td>
<td>75% of the national market value of the livestock</td>
<td></td>
</tr>
<tr>
<td><strong>ELAP (Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish)</strong></td>
<td>Provides emergency relief to producers of livestock, honey bees, and farm-raised fish</td>
<td>As determined by USDA Secretary</td>
<td>All crops in all counties must be covered by crop insurance or NAP</td>
<td>As determined by USDA Secretary</td>
<td></td>
</tr>
<tr>
<td><strong>TAP (Tree Assistance Program)</strong></td>
<td>Provides assistance for tree, vine, and bush losses due to adverse weather</td>
<td>Losses must exceed 15%</td>
<td></td>
<td></td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>NAP (Noninsured Crop Disaster Assistance Program)</strong></td>
<td>Provides minimal coverage for uninsurable crops.</td>
<td>Application with service fee must be filed prior to NAP application closing date</td>
<td>n/a</td>
<td>55% of the historical price for losses in excess of 50%</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>EM (Emergency Loans)</strong></td>
<td>Provides loans to borrowers who are unable to obtain financing for emergency losses</td>
<td>Applicant must be in a county with Presidential or USDA Secretarial Disaster Designation, or contiguous county; USDA Administrator may also qualify quarantine losses or physical loss loans only</td>
<td>May be required as condition for loan approval</td>
<td>Provides low interest loans to qualified applicants with eligible disaster losses</td>
<td>Principal not to exceed $500,000</td>
</tr>
</tbody>
</table>
SURE

Supplemental Revenue Assistance Payments Program
SURE

- SURE looks at “Total Farm Revenue”
  - All farms, in all counties & in all states

- All “economically significant” crops must be insured
  - 5% or more of crop income

- Looks at total estimated revenue & compares to expected
  - Pays on 60% of any differences

- Must meet RMPR
RMPR Requirements

• Producers must be insured or enroll in:
  – CAT level or higher for insurable crops
  – NAP for uninsurable crops
    • Forage crops intended for grazing don’t require insurance
  – Producers are not required to purchase a Pilot Program level of insurance, but can, or buy NAP
  – Waiver available for socially disadvantaged, limited resource & beginning farmers and ranchers
    • Effective level – CAT policy (50% coverage, 55% price)
How do I become eligible for SURE?

• A “farm” is eligible when:
  – A portion of the farm is located in a county covered by a qualifying USDA Secretarial Disaster Designation and has a 10% loss on one or more crops of economic significance or
  – The actual production is 50% less than normal production.
2010 SURE

• Sign up for 2010 SURE is now open!

• Deadline to sign up is June 1, 2012

• Call your local FSA office to make an appointment!
Your coverage level matters!

• For crops that are insurable, your level of coverage affects your SURE Guarantee
SURE Questions?

Next….NAP!
NAP

- Noninsured Crop Disaster Assistance Program (NAP)
  - Covers weather related losses

- Insures all crops in a county where traditional crop insurance isn’t offered
  - Grazing, hay, etc.

- 50% coverage, 55% price protection
  - Very similar to a CAT policy (crop insurance)
NAP

• NAP is required for:
  – SURE eligibility on crops that produce 5%+ crop income & aren’t eligible for crop insurance
  – LFP
  – ELAP or TAP
    • TAP is for orchards, vineyards, berry vines, etc.
How do I buy NAP?

- $250 per crop, not to exceed $750 per county
- 2012 Crop Year Deadlines:
  - 9/1/11 – Value loss crops, sod, nursery
  - 9/30/11 – Fall seeded small grains
  - 12/1/11 – Honey, apples, cherries, plums, strawberries, asparagus & grapes
  - 3/15/12 – Grass, mixed forage, sorghum forage, alfalfa, spring seeded crops (oats, etc.)
NAP Reporting Requirements

• Annual acreage report (FSA-578)
  – By June 30 or July 15

• Annual production report (tons, bushels, etc.)
  – By June 30 (small grains) or July 15 (all other) of the following crop year
    • Ex. 2010 alfalfa tonnage is certified by July 15, 2012

• Notice of Loss
  – Within 15 days of realizing a loss
NAP Example – Hay Crops

• In 2011 I am a producer in Buffalo Co. and I planted 100 acres of alfalfa, that I put up for hay.

• The first year (2011), my alfalfa isn’t eligible for NAP. But in 2012 (second growing season) my crop is eligible.

• I purchase NAP by March 15, 2012
NAP Example Cont.

• I have never grown alfalfa before, so I get a “new producer” APH which is 4.97 t/acre.

• On June 1, 2012, a wildfire caused by lightning begins and burns my entire field of alfalfa. I believe the entire field has been killed.

• What are my options?
NAP Example Cont.

1. Call the FSA office within 15 days of realizing your loss.

2. We’ll start a Notice of Loss, and if you feel like the entire crop has been destroyed, the FSA office will send, and pay for, an adjustor to adjust any/all losses.

3. If losses exceed 50%, a payment may be made.
Example Results?

- 100 acres x 4.97 t/ac
  - Expected production = 497 tons
  - Actual production = 0 tons
- 50% + loss = 249 tons
- $93/t x 55% price = $51
- $51 x 249 tons = $12,699 NAP Payment
  - Policy cost = $250
NAP Takeaway

• NAP is catastrophic level coverage

but

• NAP also qualifies you for other FSA disaster programs
Livestock Disaster Programs

• LIP
  – Livestock killed by natural disasters
• LFP
  – Grazing losses due to drought and/or wildfire
• ELAP
  – Losses not covered by other disaster programs
LIP

Livestock Indemnity Program
LIP

• Provides payments to producers with a farming/ranching interest who have had an eligible livestock death loss due to adverse weather

• Producers must notify FSA office within 30 days of realizing a loss
  – Telephone call, email, fax, mail, in person, etc.
• What records should I keep?
  – Verifiable vs. Reliable
  – Beginning and ending inventories
    • Bank or other loan documents, veterinary records, brand inspection records, written contracts, etc.
  – Proof of death
    • Rendering truck receipts, veterinary records, etc.
    • Producer records, pictures w/ a date, etc. can be used, but must be supported w/ verifiable inventories
<table>
<thead>
<tr>
<th>Kind</th>
<th>Type</th>
<th>Weight Range</th>
<th>2011 LIP Payment Per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>Non-adult</td>
<td>Less than 400 lbs</td>
<td>$336.04</td>
</tr>
<tr>
<td>Beef</td>
<td>Non-adult</td>
<td>400 to 799 lbs</td>
<td>$490.68</td>
</tr>
<tr>
<td>Beef</td>
<td>Non-adult</td>
<td>800 lbs or more</td>
<td>$766.03</td>
</tr>
<tr>
<td>Beef</td>
<td>Adult</td>
<td>Cow</td>
<td>$746.95</td>
</tr>
<tr>
<td>Beef</td>
<td>Adult</td>
<td>Bull</td>
<td>$971.03</td>
</tr>
<tr>
<td>Dairy</td>
<td>Non-adult</td>
<td>Less than 400 lbs</td>
<td>$249.38</td>
</tr>
<tr>
<td>Dairy</td>
<td>Adult</td>
<td>Cow/Bull</td>
<td>$997.50</td>
</tr>
<tr>
<td>Swine</td>
<td>Boar/Sow</td>
<td>Over 450 lbs</td>
<td>$201.03</td>
</tr>
<tr>
<td>Swine</td>
<td>Feeder Pigs</td>
<td>50 lbs and under</td>
<td>$48.12</td>
</tr>
<tr>
<td>Sheep</td>
<td>Ram</td>
<td></td>
<td>$116.04</td>
</tr>
<tr>
<td>Sheep</td>
<td>Ewe</td>
<td></td>
<td>$117.39</td>
</tr>
<tr>
<td>Sheep</td>
<td>Lamb</td>
<td></td>
<td>$126.84</td>
</tr>
</tbody>
</table>

*All rates can be found in 1-LDAP*
LFP

Livestock Forage Program
LFP

• Provides financial assistance to eligible livestock producers who suffered grazing losses due to a qualifying drought on private lands, or fire on federally managed lands

• Producers must have NAP or equivalent crop insurance on their grazing
LFP

Grazing losses due to drought are monitored at the national level and must:

1. Have reached a D2 level for 8 consecutive weeks during the grazing season

   Or

2. Reached a D3 or D4 level
<table>
<thead>
<tr>
<th>Kind</th>
<th>Type</th>
<th>Weight Range</th>
<th>2010 LFP Monthly Payment Rate Per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>Adult</td>
<td>Cows/Bulls</td>
<td>$34.57</td>
</tr>
<tr>
<td>Beef</td>
<td>Non-adult</td>
<td>500 lbs or more</td>
<td>$25.93</td>
</tr>
<tr>
<td>Dairy</td>
<td>Adult</td>
<td>Cows/Bulls</td>
<td>$89.89</td>
</tr>
<tr>
<td>Dairy</td>
<td>Non-adult</td>
<td>500 lbs or more</td>
<td>$25.93</td>
</tr>
<tr>
<td>Sheep</td>
<td>All</td>
<td></td>
<td>$8.64</td>
</tr>
<tr>
<td>Goats</td>
<td>All</td>
<td></td>
<td>$8.64</td>
</tr>
</tbody>
</table>

*All rates can be found in 1-LDAP*
ACRE

Average Crop Revenue Election
ACRE

- Not technically a “disaster program” but helps protect risk
- Payments are based on:
  - National Prices
  - State Yields
  - *Also requires farm level yield trigger
ACRE Details

• ACRE provides protection on crops planted, not on farms historical plantings (base acreage).
• Can be elected in any year through 2012; irrevocable election.
• ACRE Elections are farm specific.
• Participants in ACRE agree to a 30% decrease in loan rate and 20% decrease in the direct payment rate.
ACRE Requirements

- May report production to establish the historical benchmark yield
- Must annually report production beginning with the 1st year of election
- Deadline is July 15th of following crop year
- Producers can use RMA data for reporting
Farming can be risky business...

• But at FSA, we’re here to help you manage that risk!
• Questions about programs or eligibility?
  – Talk to your County Office staff!
Questions?