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The Noninsured Crop Disaster Assistance Program (NAP)

October 24, 2024

Congressional Research Service
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R48245

CRS REPORT
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Committees of Congress

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The Noninsured Crop Disaster Assistance Program (NAP)

SUMMARY

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October 24, 2024

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Farming and ranching are inherently risky. Some of the risks (e.g., production loss or quality damage) can come from natural disasters, such as drought and flooding. Producers affected by a natural disaster may experience decreased agricultural production and financial hardship. In 1994, Congress created the noninsured crop disaster assistance program (NAP) to provide a risk management option for producers growing crops that could not be insured through the Federal Crop Insurance Program (FCIP). NAP provides financial assistance in the form of direct payments (i.e., indemnities) to eligible producers affected by certain natural disaster events. The U.S. Department of Agriculture's (USDA's) Farm Service Agency (FSA) administers the program. Congress permanently authorized NAP and provided mandatory funding through the Commodity Credit Corporation in the 1996 farm bill (P.L. 104-127, 7 U.S.C. §7333).

Producers must meet certain eligibility requirements to enroll in NAP. They must have risk in the production of an eligible crop and be entitled to an ownership share of that crop. In addition, a producer must apply for coverage before the sales closing date of the covered crop, which is typically 30 days prior to the final planting date for an annual crop. Producers with total adjusted gross annual income above $900,000 are not eligible to enroll in NAP. Eligible crops include any commercial crops grown for food, fiber, or livestock consumption for which there is no FCIP catastrophic coverage available, with limited exceptions. Losses must be due to an eligible event, such as a flood or drought that directly affects the covered crop. A USDA disaster designation is not required to trigger an indemnity.

There are two types of NAP coverage: basic and buy-up. NAP basic coverage provides indemnities when producers experience at least a 50% crop loss or are prevented from planting more than 35% of intended crop acreage. Under NAP basic coverage, losses in excess of those minimum loss thresholds are indemnified at 55% of the average market price for the covered crop. For NAP basic coverage, producers pay an administrative service fee. NAP has an annual payout limit of $125,000 per crop year per producer for basic coverage.

Producers can elect additional NAP coverage options (i.e., buy-up coverage) that may increase NAP indemnities for a covered loss. Buy-up coverage may be purchased to cover 50%-65% (in 5% increments) of established yield and 100% of the applicable average market price. Producers also can choose from other options that may provide higher indemnities for losses (i.e., historical marketing percentage, contract marketing percentage, direct marketing percentage, and quality loss adjustment). For NAP buy-up coverage, producers pay an administrative service fee and premium. USDA calculates premiums for buy-up coverage based on the value of the potential indemnity. NAP has an annual payout limit of $300,000 per crop year per producer for buy-up coverage.

Total indemnities from NAP vary each year based on the number of eligible natural disasters and eligible losses. For instance, for program years 2011-2023, total indemnities from NAP ranged between $122 million in 2023 and $454 million in 2012, when adjusted for inflation. During this same period, the number of approved NAP applications ranged from 53,672 in 2015 to 90,435 in 2023. The most common commodities covered by NAP are animal forage (e.g., grazed pasture and rangeland) and specialty crops (e.g., fruits and vegetables).

There are a variety of issues of potential interest to Congress. They include whether NAP provides sufficient risk coverage given recent ad hoc assistance to producers provided by Congress; potential duplication of payments between NAP and other permanent USDA disaster assistance programs for the same loss; implementation of the recommendations from the USDA Equity Commission report; whether to adjust NAP indemnity limits and the adjusted gross income maximum eligibility criteria; and potential synergistic interactions of NAP and FCIP.

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Introduction

Farming and ranching are inherently risky. Some of the risks (e.g., production loss or quality damage) can come from natural disasters, such as drought and flooding. As a result, producers affected by a natural disaster may experience decreased agricultural production and farm revenues. In 1994, Congress created the noninsured crop disaster assistance program (NAP) to provide a risk management option for producers growing crops that could not be insured through the Federal Crop Insurance Program (FCIP).[1] Eligible producers may purchase NAP policies at planting time to indemnify them against production losses caused by certain types of natural disasters. NAP is sold nationwide through the U.S. Department of Agriculture's (USDA's) Farm Service Agency (FSA) county offices.

Since 2014, Congress has expanded NAP to cover additional losses, including those that can be indemnified through FCIP and/or other USDA-administered disaster assistance programs. Additionally, Congress has periodically provided ad hoc disaster assistance to producers, including those who purchase NAP coverage.

This report provides an overview of NAP, trends in NAP participation and indemnities, and NAP's relationship with other agricultural disaster assistance programs. The report also discusses issues of potential congressional interest.

How NAP Works

NAP can provide coverage for eligible commodities against losses caused by eligible natural disasters, such as drought, flood, and freeze. NAP coverage is available for commodities that cannot be insured by FCIP catastrophic (CAT) policies. USDA's FSA administers NAP. Producers must meet certain eligibility requirements and apply for coverage by the application closing date. NAP basic coverage is available for a service fee, and additional NAP coverage (i.e., buy-up coverage) is available for an additional premium. Some producers (e.g., producers selling crops directly to consumers, such as at farmers markets) may elect additional NAP buy-up coverage options, which may have higher premium costs and indemnity payments. These topics are discussed in greater detail in the following sections.

Statutory Authority

Congress created NAP to help producers that are ineligible for FCIP mitigate risk. FCIP and NAP are permanently authorized.

FCIP has existed since the late 1930s. In the 1980s, FCIP offered coverage for a limited set of commodities and locations, and relatively few producers purchased FCIP policies.[2] After providing ad hoc disaster assistance to producers in 1988, 1989, 1992, and 1993, Congress enacted the Federal Crop Insurance Reform and Department of Agriculture Reauthorization Act of 1994 (FCIRA; P.L. 103-354). FCIRA created FCIP CAT coverage and NAP basic coverage as low-cost options that producers could purchase to meet their risk management goals and satisfy

[1] For more information about the Federal Crop Insurance Program (FCIP), see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[2] U.S. Department of Agriculture (USDA), Risk Management Agency (RMA), "History of the Crop Insurance Program," https://www.rma.usda.gov/about-rma/history-rma.

the mandatory crop insurance participation requirement to be eligible for commodity support programs.[3] NAP basic coverage was offered in areas where FCIP coverage was not available.

In 1996, Congress authorized NAP as a separate program from the FCIP under the Federal Agriculture Improvement and Reform Act of 1996 (1996 farm bill; 7 U.S.C. §7333). The program receives mandatory funding from the Commodity Credit Corporation (CCC).[4] Therefore, FSA may continue to administer NAP without annual discretionary appropriations or budgetary limitations, subject to the availability of CCC funds.

In general, subsequent farm bills expanded the list of eligible crops covered under NAP and increased NAP administrative service fees. The Agricultural Act of 2014 (2014 farm bill; P.L. 113-79) authorized the option of additional buy-up coverage.[5] The Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) expanded eligibility to include commodities that can be covered under FCIP's Whole Farm Revenue Protection (WFRP) or a weather index policy.[6]

Eligibility Requirements

The authorizing statute and associated regulations for NAP define eligibility requirements for producers who wish to purchase NAP coverage, the types of crops, and causes of loss that can be indemnified under the program.

Eligible Producers

To be eligible to purchase NAP coverage, producers must have risk in the production of an eligible crop and be entitled to an ownership share of that crop, such as a landowner, tenant, or sharecropper.[7] Agricultural producers also must be in compliance with certain erodible land and wetlands practices.[8] In addition, a person or legal entity with an average annual adjusted gross income (AGI) exceeding $900,000 is not eligible to purchase NAP coverage.[9]

Eligible Crops

Eligible crops must be produced for commercial purposes and be ineligible for federal crop insurance (excluding WFRP and weather index policies).[10] NAP eligible crops include

- crops for food;

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[3] Producers purchasing basic coverage under the noninsured crop disaster assistance program (NAP) or FCIP catastrophic (CAT) coverage pay an administrative fee. As per statutory requirements, USDA charges no premiums for NAP basic coverage. As per statutory requirements, USDA charges "actuarially fair" premiums for FCIP CAT coverage and subsidizes 100% of the premium cost. Actuarially fair means that the total value of premiums paid over many years should be approximately equal to the total value of indemnity payments paid over that same time period.

[4] 7 U.S.C. §7333(g).

[5] The additional buy-up coverage is similar to buy-up coverage offered by FCIP.

[6] For additional background on FCIP Whole Farm Revenue Protection (WFRP) and indexed policies, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[7] 7 C.F.R. §1437.8(c).

[8] 7 C.F.R. §1437.16(a).

[9] 7 U.S.C. §7333(i)(4) and 7 U.S.C. §1308–3a(b)(1)(A). *Adjusted gross income* (AGI) is defined as an individual's or legal entity's total annual income minus eligible adjustments determined by the Internal Revenue Service. For purposes of NAP, the average AGI is calculated from the previous three-year period but excluding the most recent complete taxable year. 7 C.F.R. §1400.501.

[10] 7 U.S.C. §7333(a)(2)(A).

- crops for livestock consumption, such as grain and forage crops, including native forage;
- grazing lands;
- crops for fiber, such as cotton and flax (except trees);
- crops in a controlled environment, such as mushrooms and floriculture;
- specialty crops, such as fruits, vegetables, honey, and maple sap;
- commercial sea oats, sea grass, sweet sorghum, and biomass sorghum;
- industrial crops, including crops used in manufacturing or grown as a feedstock for renewable biofuel, renewable electricity, or biobased products;
- aquaculture;
- Christmas trees;
- ginseng;
- ornamental nursery plants;
- turfgrass sod;
- seed crops where the propagation stock is produced for sale as seed stock for other NAP eligible crop production; and
- hemp.[11]

Producers growing two different crops on the same acreage at different times in the same crop year, a practice known as double cropping (e.g., planting winter wheat followed by corn or soybeans) may purchase NAP coverage for each eligible crop.[12]

Livestock, first-year biennial and perennial seedings, and other categories of crops are ineligible for NAP coverage.[13]

Eligible Causes of Loss

Eligible losses must be due to an eligible event and must directly affect the covered crop. Losses must occur during the coverage period (i.e., before or during harvest). Eligible causes of loss include

- drought;

[11] 7 U.S.C. §7333(a)(2)(A); 7 C.F.R. §1437.106; and 7 C.F.R. §1437.107. Hemp is eligible only if (1) grown under an official certification of license issued by the applicable governing authority that permits hemp production; (2) grown under a hemp processor contract executed by the applicable acreage reporting date; and (3) planted for harvest as hemp in accordance with the requirements of the hemp processor contract and the production management practices of the hemp processor. 7 C.F.R. §1437.108.

[12] Producers must have an established double-cropping acreage as determined by the Farm Service Agency (FSA) to enroll each double cropped commodity in NAP. USDA, FSA, *FSA Handbook: Noninsured Crop Disaster Assistance Program for 2015 and Subsequent Years*, https://www.fsa.usda.gov/Internet/FSA_File/1-nap_r02_a22.pdf (hereinafter USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*).

[13] Ineligible crops for NAP coverage include byproducts resulting from processing or harvesting an eligible crop, such as peanut hay and oat straw; nonornamental nursery plants, such as strawberry plants and orange trees; home gardens or crops not being produced for commercial sale; experimental crops; livestock and their byproducts; trees grown for lumber or paper products; first-year seeded biennial and perennial forage; immature orchards; crops the State Technical Committee has determined cannot practicably or viably be grown commercially in the area; and replacement crops planted after the approved prevented planting date or crops planted to replace a failed crop in the same crop year. USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

- hail;
- excessive moisture;
- freeze;
- tornado;
- hurricane;
- lightning;
- insufficient chill hours;[14]
- earthquake;
- flood;
- volcanic eruption; and
- conditions related to damaging weather or adverse natural occurrences, such as excessive heat, plant disease, volcanic smog, or insect infestation.[15]

Coverage Options

There are two types of NAP coverage: basic and buy-up. Producers can apply for NAP coverage and pay the associated fee or premium at their local FSA office.[16] Producers must file an application for coverage by the application closing date, which varies by crop and is based on seasonal planting dates.[17]

Basic Coverage

NAP basic coverage pays producers the portion of catastrophic losses that exceed 50% at a rate equal to 55% of the average market price of the commodity as determined by FSA.[18] This means that producers with NAP basic coverage are eligible to receive a NAP indemnity only if their actual crop production is below 50% of their FSA approved levels.[19] NAP basic coverage also covers losses if producers are prevented from planting more than 35% of their intended acres (see "Prevented Planting").[20]

Under NAP basic coverage, indemnity payments cover the following:[21]

- for yield-based crops, actual yield losses exceeding 50% of approved yields;[22]

[14] Insufficient chill hours are an eligible cause of loss when FSA is able to determine that the lack of chill hours is averse to the crop's production without regard to any management.

[15] 7 C.F.R. §1437.10.

[16] 7 U.S.C. §7333(b)(1). To find local FSA offices, see https://offices.sc.egov.usda.gov/locator/app?state=us&agency=fsa.

[17] 7 C.F.R. §1437.6. The State Technical Committees determine the closing date for NAP applications.

[18] 7 U.S.C. §7333(d).

[19] Approved levels are based on a producer's historical production records. If a producer does not have sufficient historical records (i.e., less than four consecutive years of production records), FSA sets a producer's approved level of production equal to the FSA determined county-expected yield. 7 U.S.C. §7333(e) and 7 C.F.R. §1437.102(b).

[20] 7 U.S.C. §7333(c)(3).

[21] 7 C.F.R. §1437.5.

[22] Yield-based crops are crops for which production is measured in units per acre, and FSA can determine an approved yield on a per-acre basis. USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*. An approved yield is based on the actual production history of the producer of not less than the four previous consecutive crop years and not (continued...)

- for value loss crops, actual value losses exceeding 50% of the total value of eligible inventory at the time of disaster;[23]
- for grazing lands and crops, actual animal unit day (AUD) losses exceeding 50% of the expected AUDs;[24] or
- prevented planting in excess of 35% of the intended acres.[25]

As established in statute, USDA does not charge a premium for NAP basic coverage. Applicants pay an administrative service fee at the time of application (discussed in the "Administrative Service Fee" section).

NAP indemnities under basic coverage are limited to $125,000 per crop year per individual or entity.[26] NAP policy holders that planted crops after the final planting date and during the late planting period may be eligible for reduced coverage.[27]

Average Market Price

FSA determines an average market price for each covered crop.[28] Depending on the data available, this may be estimated at the state, county, or other level as determined appropriate by FSA.[29] The average market price is the dollar value per unit for the crop based in part on historical data. In addition, the average market price is to reflect the in-field harvest price and cannot include the associated costs, such as for transportation and packaging.[30] FSA calculates the average market price for each crop as the *Olympic average* (i.e., average excluding the highest and lowest prices) of the five most recent available crop year prices.[31]

Average market prices for grazed forage losses are set using AUDs and livestock caloric requirements.[32] FSA may also establish separate average market prices based on conventional or organic farming practices or the intended market (e.g., fresh or frozen).[33]

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more than 10 consecutive crop years. 7 U.S.C. §7333(e)(2)(A). For producers that do not submit adequate documentation of production history to establish an approved yield, FSA assigns the producer a yield based on available certified records. Producers with no previously approved yields or production history are assigned yields of not less than 65% of the expected yield of the crop in the county for the crop year. 7 U.S.C. §7333(e)(3).

[23] For examples of value loss crops, see footnote 25.

[24] Animal unit days (AUDs) refer to the number of livestock per day that the land can sustain without detrimental effects on the land resources without additional supplemental feed.

[25] Prevented planting is not applicable to value loss crops. Value loss crops include ornamental nursery, Christmas trees, aquaculture, floriculture, ginseng, mushrooms, propagation stock nonornamental nursery seed, and turfgrass sod.

[26] For example, a general partnership consisting of two equal share individuals has an applicable payment limitation of $250,000. 7 U.S.C. §7333(i)(2)(A).

[27] The late planting period begins the day after the final planting date, and the duration of the period depends on the eligible crop/commodity growing period. Crops with multiple planting periods and value loss crops may not be eligible for reduced coverage in the case of late planting. 7 C.F.R. §1437.103.

[28] According to USDA, it harmonizes average market prices for NAP with established FCIP prices when possible. USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

[29] 7 C.F.R. §1437.12(b).

[30] 7 C.F.R. §1437.12.

[31] 7 C.F.R. §1437.12(b).

[32] 7 C.F.R. §1437.12(e).

[33] 7 C.F.R. §1437.12(d).

Prevented Planting

Prevented planting occurs when producers cannot plant crops on a timely basis as a result of an eligible event (e.g., drought and flood). NAP basic coverage includes prevented planting coverage for certain crops.[34] NAP basic coverage pays indemnities when the producer cannot plant at least 35% of the intended crop.[35] Indemnity payments for prevented plantings under NAP basic coverage are 55% of the average market price of the crop.[36] Value loss crops;[37] acreage planted during the late planting period; and noncompliant acreage reporting are ineligible for NAP prevented planting payments.[38]

Administrative Service Fees

For NAP basic coverage, producers pay an administrative service fee of the lesser of $325 per crop per county or $825 per producer per county, not to exceed a total payment of $1,950 per producer.[39]

In 2023, USDA announced a new policy for NAP applications for underserved producers (i.e., beginning, limited resource, socially disadvantaged, and qualifying veteran farmers or ranchers).[40] An underserved producer is automatically enrolled for NAP basic coverage upon the producer's timely certification of their underserved producer status with their local FSA office.[41] These producers receive an automatic waiver of the NAP administrative service fee.[42]

NAP Basic Coverage Example

Under NAP basic coverage, an indemnity is triggered if production is less than 50% of a producer's FSA approved levels. Indemnity payments are 55% of the FSA determined average market price of the crop multiplied by the units of lost production above 50% of approved production.

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[34] 7 C.F.R. §1437.201(c).

[35] 7 U.S.C. §7333(c)(3).

[36] 7 C.F.R. §1437.202. NAP indemnity payments for prevented plantings may be adjusted by a payment factor determined by FSA. The payment factor adjusts for crops produced with variable expenses that are not incurred because the crop acreage was either prevented from being planted or planted but not harvested.

[37] 7 C.F.R. §1437.201(c). Annual crops are eligible for prevented planting coverage. Tree crops and other perennials may be eligible for prevented planting coverage if the producer can prove resources were available to plant, grow, and harvest the crop, as applicable, and FSA approves the defined planting period for the crop. USDA, FSA, *FSA Handbook: Acreage and Compliance Determinations*, https://www.fsa.usda.gov/Internet/FSA_File/2-cp_r16_a28.pdf.

[38] FSA acreage reporting and acreage compliance activities include an acreage report, spot-check selection, measurement services, aerial photography, field determinations, aerial and ground compliance techniques, and measurement equipment. USDA, FSA, *FSA Handbook: Acreage and Compliance Determinations*, https://www.fsa.usda.gov/Internet/FSA_File/2-cp_r16_a28.pdf.

[39] The fees are set in 7 U.S.C §7333(k)(1).

[40] USDA, FSA, "USDA Simplifies Application Process for Noninsured Crops for Underserved Producers; Improves Risk Management Accessibility," 2023, https://www.farmers.gov/blog/usda-simplifies-application-process-noninsured-crops-underserved-producers-improves-risk.

[41] USDA, FSA, "Disaster Assistant Noninsured Crop Disaster Assistance Program Fact sheet," January 2023, https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2023/fsa_nap_noninsuredcropdisasterassistance_factsheet_2023.pdf. Producers can complete FSA Form CCC-860 to certify they are a beginning, limited resource, socially disadvantaged, or qualifying veteran farmer or rancher. For additional background on underserved producers, see CRS Report R47933, *Programs for Beginning, Limited Resource, Veteran, Socially Disadvantaged, and Tribal and Indigenous Farmers and Ranchers and for Small Farms and Ranches*.

[42] 7 C.F.R. §1437.7(g).

The following is a hypothetical and simplified example of a payment trigger and the indemnity payment issued under NAP basic coverage:

- A producer elected NAP basic coverage. The producer has an FSA approved production of 10,000 pounds of an eligible crop. The FSA determined average market price for this commodity is $5 per pound. The expected value of this crop is 10,000 pounds x $5 per pound = $50,000. The policy covers losses in excess of 50%. The producer is insuring one crop so they pay a $325 administrative service fee.
- Following an eligible natural disaster, the producer harvests 2,500 pounds of the covered crop (i.e., 75% production loss), thereby triggering a NAP indemnity. The NAP indemnity is based on the amount of loss in excess of 50% of approved production levels, which in this example is 75% - 50% = 25%. 25% x FSA approved production (10,000 pounds) = 2,500 pounds.
- The indemnity payment equals the amount of covered loss times 55% of the average market price. Therefore, the producer would receive an indemnity payment equal to 2,500 pounds x (55% x $5 per pound) = $6,875. The net indemnity equals indemnity ($6,875) – payment for NAP coverage ($325) = $6,550.
- The income earned from selling the harvested crop equals 2,500 pounds x $5 per pound = $12,500. The total revenue from the crop equals the market value of the harvested crop ($12,500) + the net indemnity ($6,550) = $19,050. This is compared to $50,000 the farmer had expected to earn from the crop.

NAP Buy-Up Coverage

NAP buy-up coverage covers CAT losses and less severe losses due to eligible natural disasters. Buy-up coverage is available for all NAP covered crops, with limited exceptions.[43] Producers can choose NAP buy-up coverage ranging from 50% to 65% of approved production in 5% increments. For NAP buy-up coverage, indemnity payments are calculated using 100% of the average market price, contract price, or other premium price.[44] Producers must demonstrate at least one year of previous production history to purchase buy-up coverage.[45] The prevented planting payment under buy-up coverage is calculated using 100% of the average market price.[46] Total NAP indemnities, including buy-up coverage are limited to $300,000 per crop year per individual or entity.[47]

Premiums

Producers purchasing buy-up coverage pay the NAP service fee and an associated premium. In general, the NAP premium is 5.25% of the potential NAP indemnity. FSA calculates premiums separately for each crop, type, and intended use.[48] The total NAP premium for all NAP policies

[43] Buy-up coverage for NAP is not available for grazed forage. Producers of mechanically harvested hay or forage are eligible for buy-up NAP coverage. 7 C.F.R. §1437.5(d).

[44] 7 U.S.C. §7333(l)(1)(B).

[45] 7 C.F.R. §1437.5(e).

[46] 7 C.F.R. §1437.5(d).

[47] For example, a general partnership consisting of two equal share individuals has an applicable payment limitation of $600,000 for all crops with buy-up NAP coverage. 7 U.S.C. §7333(i)(2)(B).

[48] 7 U.S.C. §7333(l)(2) and 7 C.F.R. §1437.7(f).

purchased by a producer is capped due to the cap on the maximum potential payout per producer. For an operation with a single producer, the premium maximum is $15,750 (i.e., $300,000 x 0.0525). For joint operations, the premium is based on the number of producers, or legal entities.[49] Premiums for underserved producers electing buy-up coverage are reduced by 50%.[50]

Prevented Planting

The coverage levels for prevented planting are the same under NAP basic coverage and NAP buy-up coverage (i.e., prevented planting is in excess of 35% of the intended acres). However, the NAP buy-up coverage prevented planting payment is calculated using 100% of the average market price rather than of 55% under NAP basic coverage.[51]

Other NAP Buy-Up Options

The 2018 farm bill authorized new options for NAP eligible producers electing buy-up coverage. These options are for quality of loss adjustment, contract marketing percentage, historical percentage, and direct marketing percentage.[52] In general, these options allow producers to purchase NAP coverage that uses higher average market prices in the indemnity (and premium) calculations compared with regular buy-up coverage. Producers must provide certain documentation (e.g., production contract or actual marketing records) to elect these NAP buy-up options and may pay higher premiums compared with regular NAP buy-up coverage.

Example of NAP Buy-Up Coverage

Under NAP buy-up coverage, a producer can elect to insure between 50% and 65% of their approved production at 100% of the applicable average market price.

The following is a hypothetical and simplified example of a payment trigger and the indemnity payment issued under NAP buy-up coverage using the same assumptions as the basic coverage example above:

- A producer elected NAP buy-up coverage of 65% of their FSA approved production. The producer has approved production of 10,000 pounds of an eligible crop. The FSA determined price for this crop is $5 per pound. The expected value of this crop is 10,000 pounds x $5 per pound = $50,000. The covered value of this crop is 65% x $50,000 = $32,500. The policy covers losses in excess of 35%. The producer is insuring one crop so they pay a $325 service fee. In addition to the service fee, the producer paid a premium equal to 5.25% of the covered value ($32,500), or 0.0525 x $32,500 = $1,706.
- Following an eligible natural disaster, the producer harvests 2,500 pounds of the eligible crop (i.e., 75% production loss). The NAP indemnity is based on the amount of loss in excess of 35% of approved production levels, which in this example is 75% - 35% = 40%. 40% of FSA approved production (10,000 pounds) = 4,000 pounds.
- The indemnity payment equals the amount of covered loss times 100% of the average market price. Therefore, the producer would receive an indemnity

[49] USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

[50] 7 U.S.C. §7333(l)(3).

[51] USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

[52] Ibid.

payment equal to 4,000 pounds x (100% x $5 per pound) = $20,000. The net indemnity is $20,000 - ($1,706+$325) = $17,979.

- The income earned from selling the crop is 2,500 pounds x $5 per pound = $12,500. The total income earned from the crop equals $12,500 + $17,979 = $30,479 compared to $50,000 the farmer expected to earn from the crop.

NAP Coverage Periods

The NAP coverage period depends on the eligible crop. NAP covers six categories of agricultural commodities for specific time periods. **Table 1** describes the crop types and coverage periods.

Table 1. NAP Basic and Buy-up Coverage Periods by Crop Type

Crop Type	Coverage Period Begins	Coverage Period Ends
Annual crops (including annual forage crops)	Begins the later of one calendar day after the date the application for coverage is filed or the date the crop is planted, not to exceed the final planting date	The date that harvest is complete, the normal harvest date of the crop in the area, the date the crop is abandoned, or the date the crop is destroyed
Non-forage biennial and perennial crops	Begins the later of one calendar day after the date the application for coverage is filed or one calendar day after the application closing date	Ends as determined by the Farm Service Agency (FSA)
Biennial and perennial forage crops	Begins the later of one calendar day after the application for coverage is filed, one calendar day after the application closing date, or the date following the normal harvest date	Ends on the normal harvest date of the subsequent year
Value loss crops	Begins the later of one calendar day after the date the application for coverage is filed or one calendar day after the application closing date	Ends the last day of the crop year, as determined by FSA
Honey	Begins the later of one calendar day after the date of the application for coverage is filed, one calendar day after the application closing date, or the date the colonies are set in place for honey production	Ends the last day of the crop year (of the crop supported by the bees or the honey crop year)
Maple sap	Begins the later of one calendar day after the date the application for coverage is filed or one calendar day after the application closing date	Ends on the earlier of the date the harvest is complete or the normal harvest date

Source: 7 C.F.R. §1437.6.

Note: Value loss crops include ornamental nursery, aquaculture, Christmas tree crops, ginseng, turfgrass sod, floriculture, propagation stock nonornamental nursery seed, and mushrooms.

Farm Data Reporting

After planting, producers with NAP coverage must provide FSA an annual acreage report with the number of acres planted for each covered crop. In addition, producers with NAP coverage must provide annual reports of crop acreage, acreage yields, and production for each crop.[53] FSA may use this reported information to determine a producer's NAP indemnity.

Reporting Losses and Applying for Payments

Producers with NAP coverage who claim an eligible loss are required to notify their FSA county office.[54] Third party loss adjusters assess claims on behalf of USDA.[55] USDA typically issues NAP indemnity payments within 30 days of a completed claim.[56] Producers may receive NAP indemnity payments in the program year following the program year in which the loss occurred.[57]

Provisions for Crops Grown in Tropical Regions

In 2006, USDA finalized a separate set of regulations for crops grown in tropical regions because of the unique growing climate faced by agricultural producers in tropical regions.[58] For the purpose of NAP, USDA defines *tropical regions* as Hawaii, American Samoa, Guam, the U.S. Virgin Islands, Puerto Rico, and the U.S. territories and possessions.[59] The coverage period for all eligible crops grown in the tropical regions starts January 1 and ends December 31.[60] Other differences for the tropical regions may include ineligibility for prevented planting payments as well as a differences in certain eligibility criteria, application procedures, handling of multiple crops during the coverage period, and payment calculations.

Trends in NAP Participation and Indemnities

Since program year 2011, the number of approved NAP applications has increased overall, ranging from a low of 53,672 in program year 2015 to a high of 90,435 in program year 2023, the most recent program year data available (**Figure 1**).[61] USDA's requirement that recipients of certain ad hoc agricultural disaster assistance (e.g., Wildfire and Hurricane Indemnity Program and Emergency Relief Program) purchase two years of FCIP or NAP coverage, as well as changes made in the 2018 farm bill to expand NAP coverage for grazing lands, could have contributed to the general increase in NAP approved applications started in program year 2018. An analysis by USDA found that grazing lands and forage for livestock accounted for the majority of NAP covered acres and about 50% of approved applications, on average, between

[53] 7 U.S.C. §7333(b)(2).

[54] 7 C.F.R. §1437.8(b).

[55] USDA, FSA, *Loss Adjuster Management*, https://www.fsa.usda.gov/Internet/FSA_File/2-nap_r01_a13.pdf.

[56] USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

[57] FSA defines the program year based on when the majority of the harvest occurs for yield-based crops.

[58] USDA, Commodity Credit Corporation (CCC), "Noninsured Crop Disaster Assistance Program-Tropical Regions," 71 *Federal Register* 52738, September 7, 2006. USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

[59] Other areas may be included as determined to be required by law by the deputy administrator. 7 C.F.R. §1437.501(b)(1).

[60] 7 C.F.R. §1437.502.

[61] NAP data collection methods changed in 2011. As a result, NAP data collected before 2011 is not comparable to NAP data presented in this report.

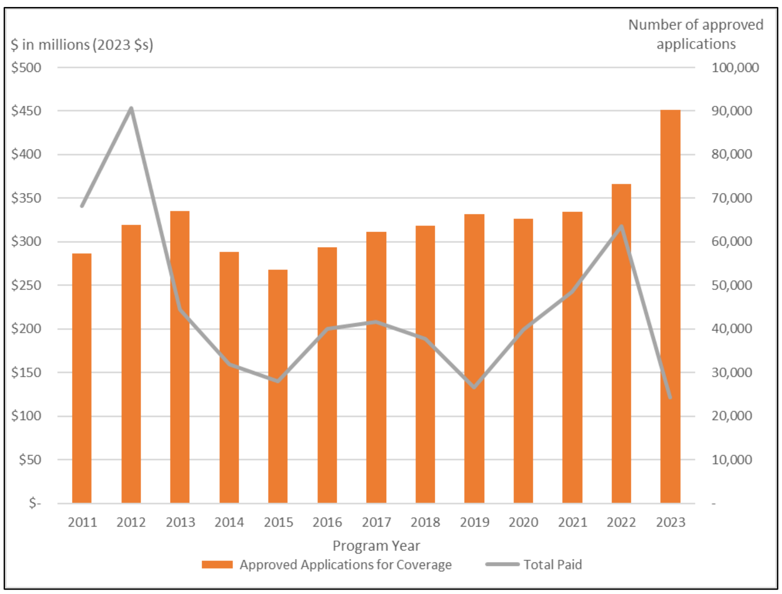
program years 2011 and 2022.[62] Specialty crops (e.g., fruits and vegetables) accounted for roughly 16% of approved applications between 2015 and 2020.[63] In general, the most common approved NAP specialty crop applications were for peppers, squash, greens, peas, and watermelon.[64]

Since the 2018 farm bill, which expanded the definition of underserved producers to include veterans, the number of underserved producers participating in NAP has increased from about 32,000 producers in program year 2019 to about 66,600 producers in program year 2024.[65]

Total indemnities vary each program year based on the number of eligible natural disasters and the extent of eligible losses (**Figure 1**). From program years 2011-2023, total indemnities from NAP ranged from a low of $122 million in 2023 to a high of $454 million in 2012, when adjusted for inflation. The only decline in NAP indemnities since program year 2019 occurred in program year 2023. Further, NAP indemnities in program year 2023, when adjusted for inflation, were at the lowest point in the 13 years analyzed even though the number of approved applications had peaked).[66] Between program years 2011 and 2023, producers received almost $3 billion in NAP indemnities, when adjusted for inflation.[67]

Figure 1. NAP Approved Applications and Total Indemnity Payments by Year

program years 2011-2023



Source: CRS using data from USDA, Farm Service Agency (FSA).

[62] Dylan Turner et al., *Federal Programs for Agricultural Risk Management*, USDA, Economic Research Service (ERS), EIB-259, December 2023, https://www.ers.usda.gov/webdocs/publications/108167/eib-259.pdf?v=5467.1 (hereinafter Turner et al., *Federal Programs for Agricultural Risk Management*).

[63] Sharon Raszap Skorbiansky et al., *Specialty Crop Participation*, USDA, ERS, EIB-241, September 2022, https://www.ers.usda.gov/webdocs/publications/104777/eib-241.pdf.

[64] Turner et al., *Federal Programs for Agricultural Risk Management*.

[65] CRS using data from FSA.

[66] NAP data collection methods changed in 2011. As a result, NAP data collected before 2011 is not comparable to NAP data presented in this report.

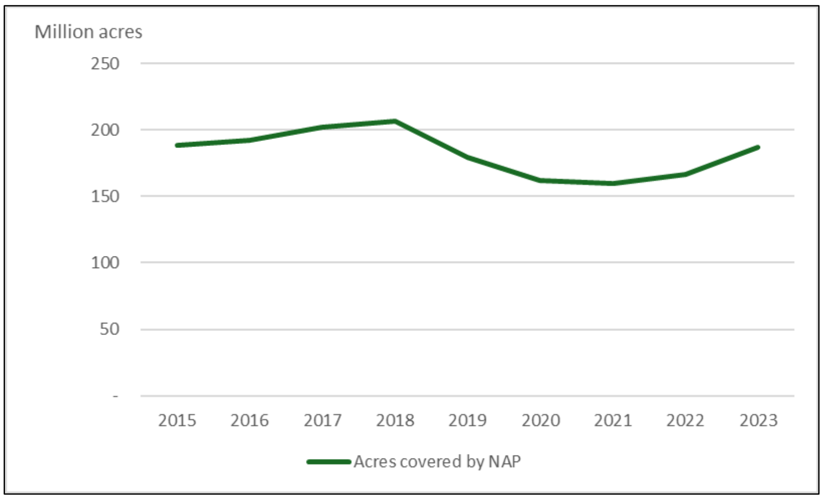
[67] CRS calculation based on USDA data. USDA does not publicly report data for indemnity amount by crop.

Notes: Adjusted for inflation to 2023 dollars using the Bureau of Economic Analysis, *Table 1.1.4. Price Indexes for Gross Domestic Product: Annual*, April 2024. NAP indemnities generally reflect losses on policies taken out the previous program year.

Another way to analyze NAP participation is by the number of acres covered under NAP (**Figure 2**). Between program years 2015 and 2023, the number of acres covered under NAP ranged from a low of about 160 million acres in program year 2021 to a high of 207 million acres in program year 2018.[68] Generally, the year-to-year trend in the number of acres covered under NAP from program years 2015 to 2023 was mixed, unlike the number of approved applications, which typically increased from one year to the next as well as overall in that same period. Under the 2014 farm bill, the number of acres covered under NAP increased by about 10% from 2015 to 2018. In general, the number of acres covered under NAP were lower after the implementation of the 2018 farm bill relative to the 2014 farm bill years.[69]

Figure 2. Number of Acres Covered Under NAP Policies by Year

program years 2015-2023



Source: CRS using data from USDA FSA.

Notes: Total number of acres covered under NAP includes planted and prevented acreage for yield-based policies. These data may exclude some livestock grazing lands that are reported in animal units. Data for value loss commodities are not included.

Permanent Agricultural Disaster Assistance and NAP

USDA administers a suite of permanent agricultural disaster assistance programs to help livestock producers and orchardists (e.g., fruit, nut, and nursery tree and ornamental growers) recover financially from eligible natural disasters. Participation in these programs is voluntary, and producers may be eligible to participate in multiple programs simultaneously. The agricultural disaster assistance programs include the Livestock Forage Disaster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Livestock, Honey Bee, and Farm-Raised Fish Program

[68] USDA data for number of acres covered under NAP before 2015 is not available.

[69] In general, the 2014 farm bill covered the following program years: 2015, 2016, 2017, and 2018. The subsequent program years were covered by the 2018 farm bill.

(ELAP); and the Tree Assistance Program (TAP).[70] In contrast to NAP, these programs do not require preenrollment, and producers do not pay a fee to participate. Regulations permit NAP producers to receive benefits for the same crop loss from LFP, ELAP, and TAP.[71]

NAP and FCIP

In general, NAP and FCIP offer coverage that agricultural producers can purchase to partially mitigate risks associated with natural disasters. **Table 2** compares selected aspects of NAP and FCIP. For example, NAP is limited to indemnifying producers for losses caused by natural disasters and adverse weather, while FCIP indemnifies losses caused by natural disasters, adverse weather, market price declines, and other eligible events.

Among other differences, NAP and FCIP have different administering agencies within USDA and different structures for policy premiums. FSA administers NAP, and eligible producers can purchase NAP policies at their local FSA county office.[72] USDA's Risk Management Agency (RMA) administers FCIP, and producers purchase FCIP policies from USDA approved private sector crop insurance agents and insurance companies. NAP fees are set in statute, and premiums are a set percentage of the potential payout. Crop insurance policies under FCIP are priced according to their actuarial ratings (thus taking into account size and probability of a payout), and USDA subsidizes a portion of the premium. Therefore, premiums for NAP coverage may be cheaper for riskier crop production compared with the total premiums for comparable FCIP coverage.[73] For NAP policies with premiums (i.e., NAP buy-up coverage), producers are required to pay the total cost of the premium. The federal government partially subsidizes premiums for FCIP policies, which reduces producers' costs to purchase FCIP coverage.

[70] For information on these programs, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[71] 7 C.F.R. §1437.14(b). The Livestock Indemnity Program (LIP) provides payments to eligible livestock owners and contract growers for livestock deaths in excess of normal mortality or for livestock that are sold at reduced price caused by an eligible loss condition (e.g., adverse weather, disease, or animal attack). Livestock are not eligible for NAP coverage. Therefore, there is no duplication of compensation for the same loss.

[72] To find local FSA offices, see USDA, "Service Center Locator: Farm Service Agency," https://offices.sc.egov.usda.gov/locator/app?state=us&agency=fsa.

[73] Production risk varies across producers, commodities, and localities.

Table 2. Comparing Selected NAP and FCIP Funding and Criteria

	NAP	FCIP
Administering agency	FSA	RMA
Program authorization	Permanent	Permanent
Spending	Mandatory and unlimited	Mandatory and unlimited
Funding entity	CCC	FCIC
Where to purchase	Local FSA county office	Insurance agents and approved insurance companies
Losses covered	Natural disasters and adverse weather	Natural disasters, adverse weather, market price declines, other qualifying events
Eligible commodities	Crops, grazing lands, aquaculture, and nursery	Crops, grazing lands, aquaculture, dairy, livestock, and nursery
Premium varies based on risk	No	Yes
Premium subsidies	No	Yes
Producer income limit	$900,000	None
Indemnity/payment limit	Yes	No

Source: CRS using 7 U.S.C. §1501 et seq. and 7 U.S.C. §7333.

Notes: CCC = Commodity Credit Corporation; FCIC = Federal Crop Insurance Corporation; FCIP = Federal Crop Insurance Program; FSA = Farm Service Agency; NAP = noninsured crop disaster assistance program; and RMA = Risk Management Agency. The NAP indemnity payment an individual or entity receives per crop year is capped. The payment limit per crop year depends on the level of coverage purchased. For more on NAP commodity eligibility, see the section titled "Eligible Crops." "Mandatory" refers to spending programs that are provided for in substantive laws under the jurisdiction of House and Senate authorizing committees.

Issues for Congress

A variety of NAP-related policy issues may be of potential interest to Congress. They include the sufficiency of producers' financial compensation from NAP in the context of recent ad hoc assistance, the potential for multiple payments for the same loss from NAP and other USDA permanent disaster assistance programs, possible implementation of the recommendations from the USDA Equity Commission report to increase participation in NAP, potential adjustment of payment limits and adjusted gross income (AGI) eligibility criteria in NAP that are not part of FCIP, and the potential synergistic interactions of NAP and FCIP.

Ad Hoc Assistance

A potential issue for Congress is the sufficiency of NAP funding in the context of supplemental appropriations for disaster assistance for producers. Congress created NAP in 1994 to help reduce ad hoc disaster assistance for producers. Nevertheless, Congress has provided $20 billion in supplemental appropriations for agricultural producers experiencing losses from natural disasters since 2018. For example, ad hoc assistance funding provided in FY2022 and FY2023, for agricultural loss due to qualifying natural disaster in calendar years 2020, 2021, and 2022 totaled over $13 billion and was implemented through the Emergency Relief Program (ERP).[74] Producers who had purchased NAP coverage were eligible for ERP payments, and individuals receiving ERP benefits were required to purchase either NAP or FCIP coverage for the following two years.

On the one hand, Congress may consider evaluating mechanisms to increase NAP indemnity payments, for instance, to match the benefits received under ERP. Examples of such mechanisms include, but are not limited to, increasing the payment rate under basic NAP coverage, increasing buy-up coverage options, and lowering the cost of NAP service fees and premiums. On the other hand, Congress may consider maintaining or decreasing NAP benefits for various reasons. According to USDA, farm sector income reached a record high in 2022, when adjusted for inflation. In addition, the portion of farm sector income earned from selling crops, livestock, and animal products (e.g., milk and honey) in 2022 was above previous farm sector income peaks in 2011 and 2013.[75]

Some of the losses covered by ERP may not have been covered by NAP policies. Producers that are ineligible for NAP or FCIP coverage (e.g., producers of livestock, trees, and vines that may be covered by other disaster assistance programs) were eligible for ERP payments. Thus, another potential option for Congress could include assessing whether to expand NAP coverage to currently ineligible agricultural production to be more like ERP coverage.

Any NAP program changes resulting in increased spending would require an offset under current budgetary rules (PAYGO). In contrast, providing additional resources in the context of supplemental appropriations would be discretionary spending, subject to discretionary spending caps. Congress could designate the discretionary funding as emergency spending, making this funding exempt from the caps and thus not require an offset.[76]

Potential for Multiple Payments for the Same Loss

Congress could assess any advantages and disadvantages of the potential for multiple payments to producers for the same loss. NAP, LFP, ELAP, TAP, and FCIP payments may be triggered by different events that can occur simultaneously.[77] As a result, producers receiving NAP indemnities may be eligible for other USDA agricultural disaster assistance payments. For example, regulations permit eligible NAP producers to receive benefits from LFP, TAP, and ELAP.[78] In addition, NAP producers can purchase and receive benefits from FCIP's perennial forage insurance plans, annual forage insurance plans, apiculture insurance plan, and WFRP coverage.[79] The U.S. Government Accountability Office (GAO) recommended USDA monitor and identify

[74] FY2022 supplemental funds were included in Title I of the Disaster Relief Supplemental Appropriations Act, 2022 (P.L. 117-43, Division B). FY2023 supplemental funds were included in Title I of the Disaster Relief Supplemental Appropriations Act, 2023 (P.L. 117-328, Division N).

[75] CRS using data from USDA, ERS, *Farm Income and Wealth Statistics*, September 2024.

[76] Increases in a bill's total cost beyond the baseline may be subject to budget constraints, such as pay-as-you-go (PAYGO) rules. Reductions from the baseline may be used to offset costs for other provisions that have a positive score or used to reduce the federal deficit. The annual budget resolution determines whether a farm bill is held budget neutral or can increase or must decrease spending. For more information about PAYGO, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*. For more information about farm bill spending, CRS In Focus IF12233, *Farm Bill Primer: Budget Dynamics*.

[77] For example, Livestock Forage Disaster Program payments are triggered by qualifying drought or wildfires. FCIP indemnities for grazing lands are triggered by a lack of rainfall, which may occur during a drought event.

[78] 7 C.F.R. §1437.14(b).

[79] Indemnities from WFRP may decrease NAP payments. USDA, FSA, *FSA Handbook: NAP for 2015 and Subsequent Years*.

the extent of duplicative payments and develop a plan to prevent or recover any duplicative payments.[80] In the context of a new farm bill debate, Congress could consider whether to provide payments for the same loss. Among other variables, Congress could assess the extent to which limiting such payments might affect program efficiencies, discourage participation in NAP, or both.

Recommendations from the USDA Equity Commission Report

Congress may consider whether to implement recommended changes to NAP to increase participation in the program, as set out in the USDA Equity Commission's final report, published in February 2024.[81] One of the recommendations in the report is to allow eligible producers to use their own yields and historic pricing data for NAP, instead of state- or county-level figures, as a way to more equitably serve producers who sell direct-to-consumer or receive premium prices for their crops. This recommendation could make NAP coverage more personalized to individual farm-level revenues and matches how farmers can purchase FCIP coverage. Directing USDA to use producer-reported data may require additional FSA oversight mechanisms to ensure data accuracy and limit opportunities for fraud or waste.

The Equity Commission also recommended administering NAP to allow farmers to voluntarily transition to more holistic FCIP coverages, such as FCIP's WFRP and micro farm policies, as a way to "remove barriers to equitable access and use of USDA programs."[82] WFRP requires farmers to have five years (three years for beginning and veteran farmers) of historical farm tax forms. Farmers without any such forms or production history can purchase NAP coverage while they build that history.[83] Congress may consider requesting additional analysis on the benefits and costs for encouraging producers to switch from NAP to FCIP policies.

Implementing a mechanism for producers to voluntarily transition from NAP to FCIP may require solving long standing issues regarding purchasing WFRP policies. According to the National Sustainable Agricultural Coalition, farmers are experiencing difficulty finding a crop insurance agent knowledgeable enough to sell policies intended to serve farmers growing a diverse set of crops (e.g., WFRP or micro farm policies).[84] One potential option to address this could be directing USDA to train FSA county staff on FCIP policies and increase communication between FSA county staff and FCIP agents. Such a policy might leverage the distribution of FSA county

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80 U.S. Government Accountability Office (GAO), *Farmers Have Been Eligible for Multiple Programs and Further Efforts Could Help Prevent Duplicative Payments*, GAO-14-428, July 2014, https://www.gao.gov/assets/gao-14-428.pdf.

81 The Equity Commission, established in February 2022, advises "the Secretary of Agriculture by (1) providing USDA with an analysis of how its programs, policies, systems, structures, and practices contribute to systemic discrimination, construct barriers to inclusion or access, and exacerbate or perpetuate racial, economic, health and social disparities, and (2) recommending corrective actions." USDA, *Equity Commission Final Report*, 2024, https://www.usda.gov/sites/default/files/documents/usda-equity-commission-final-report.pdf.

82 Ibid. The micro farm policy is designed for a farm with an approved revenue of $350,000 or less. The idea of implementing a system for farmers to voluntarily transition from NAP to WFRP insurances is often referred to as an "on-ramp."

83 In the 118th Congress, legislation has been introduced that would direct USDA to provide financial benefits to producers choosing to transition from NAP to WFRP. See, for example, the Save our Small Farm Act of 2024 (H.R. 8611, as introduced).

84 National Sustainable Agriculture Coalition, *Unsustainable: State of the Farm Safety Net*, February 2024, https://sustainableagriculture.net/wp-content/uploads/2024/02/Farm-Safety-Net-Report-February-2024-Final.pdf.

offices and their staff knowledge of the unique local producer needs. Implementing such a policy also may place additional burdens on FSA county offices that may be understaffed.[85]

Payment Limits

Unlike FCIP indemnities, NAP indemnities are limited to $125,000 per crop year per producer for basic coverage and $300,000 per crop year per producer for buy-up coverage.[86] A potential issue for Congress is whether to retain, amend, or remove NAP payment limits. Some policymakers have advocated for lowering payment limits on federal agricultural programs to save money, to respond to concerns about payments to large farms, and to reduce potential incentives to expand large farms at the expense of small farms. Other policymakers advocate for increasing or removing NAP payment limits. Increasing payment limits may improve the risk mitigation available from NAP, which may increase participation and resiliency of the farm sector. Increasing or removing payment limits does not address potential barriers of accessing the program. Therefore, such approaches may financially benefit producers who purchase NAP policies but may not increase participation among these producers who had not previously participated in NAP.

Bills pertaining to payment limits have been introduced in recent Congresses, among them the following measures introduced in the 118th Congress.[87] The Food and Farm Act (H.R. 1824, as introduced) would cap total payments received by a person or legal entity (except a joint venture or general partnership) from all permanent farm support programs, such as NAP, to $125,000 per year.[88] The Farm, Food, and National Security Act of 2024 (H.R. 8467, as ordered reported) would increase the indemnity limit for NAP to $155,000 for producers whose farm income accounts for 75% or more of their average AGI. The Save our Small Farms Act of 2024 (H.R. 8611, as introduced) would increase NAP payment limits for producers identifying as limited resource, beginning, veteran, or socially disadvantaged to $600,000 and maintain current payment limits for all other producers.

Adjusted Gross Income Maximum

Unlike FCIP, NAP has AGI maximum eligibility criteria. Producer AGI limits may influence the size of farms that are eligible to receive support. Some policymakers have advocated for adjusting eligibility criteria for federal agricultural programs. A potential issue for Congress is whether to retain, amend, or remove producer AGI limits.

Proposals to reduce the AGI limits generally have been advocated as way of reducing federal spending. Among other proposals, during the 2018 farm bill debate, Congress considered lowering the AGI maximum from $900,000 to $700,000, which could have limited payments to larger farms.[89] In the 118th Congress, the Food and Farm Act (H.R. 1824, as introduced) would reduce the AGI maximum from $900,000 to $400,000 unless income earned from farming accounted for at least 75% of the AGI. This policy would exclude farms from participating in

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[85] In September 2023, USDA and the National Farmers Union signed a memorandum of understanding addressing staffing levels and seeking to improve customer service at USDA FSA county-level offices, available at https://nfu.org/wp-content/uploads/2024/09/MOU-NFU-USDA-FSA_Final_Signed_09-09-24.pdf.

[86] 7 U.S.C. §7333(i)(2).

[87] This report does not seek to identify all pertinent measures from the 118th or other Congresses. Measures identified in this report are provided as illustrative.

[88] Examples of permanent farm support programs include the Price Loss Coverage program, the Agricultural Risk Coverage program, and marketing loan programs.

[89] H.R. 2, as passed the Senate, 115th Cong. On Congress.gov, see "Engrossed Amendment Senate" (EAS).

NAP if they have more than $400,000 AGI and rely on over 25% of their income from off-farm sources (e.g., a spouse working an off-farm job or retirement income).

Other policymakers assert that larger farms should not be penalized for capitalizing on the efficiencies associated with economies of scale. Some advocate for removing all AGI limits for certain producers. A related bill, the Farm, Food, and National Security Act of 2024 (H.R. 8467, as ordered reported), would remove AGI maximums for producers whose farm income accounts for 75% of their average AGI.

While considering the next farm bill, Congress may consider other changes to the current NAP eligibility criteria. Any proposed increased spending would require an offset under PAYGO.

Relationship Between NAP and FCIP

NAP and FCIP have the same goal of providing farmers a way of managing their financial risk. Congress may be interested in the potential synergistic interactions of NAP and FCIP. One policy option that might leverage the programs' similarities could be to direct USDA's FSA and the RMA to share farm data. Such sharing might help USDA identify potential coverage gaps, eliminate potential redundancies, and refine both programs to better address producers' needs. One challenge could be the increased administrative burden on USDA to maintain systems required to track these data.

Congress also may consider the relative costs and benefits of funding two risk management programs that might be providing overlapping coverage. One option could be combining NAP and FCIP. Allowing private sector delivery of NAP under the same rules as FCIP may provide an administrative benefit as well as reduce federal spending if total costs and risks can be shared between USDA and the private sector. Expanding FCIP coverage to include NAP may introduce a riskier set of producers into the FCIP risk pool. If that were the case, premiums for all producers may increase to offset this increased risk in FCIP. Premiums for existing NAP holders may increase as well if NAP policies have to be priced in the same way as FCIP policies. Such increases may be mitigated by the premium subsidies paid by USDA as is currently done under FCIP. Congress may consider whether to direct USDA, GAO, or another entity to conduct additional analyses on the potential benefits, drawbacks, and costs of such a policy change.

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