



United States Department of Agriculture
Risk Management Agency

December 2008

2009 COMMODITY INSURANCE FACT SHEET

Cotton - Crop Revenue Coverage Alabama, Florida, Georgia, South Carolina

Crop Insured

Cotton may be insured under the Crop Revenue Coverage (CRC) plan of insurance. CRC provides protection against a decline in market prices as well as a shortfall in production. The guarantee is in dollars. A loss situation occurs when the dollar value of your production falls below your dollar guarantee. CRC offers protection whether prices rise or fall:

- In a year of rising prices, a production shortfall would be compensated at the higher market-based harvest price. This is critical if any lost production must be replaced at higher market prices to fulfill delivery on a forward contract;
- In years of falling prices, your minimum guarantee ensures that you will receive a pre-determined amount of income per acre, regardless of yields or prices.

Counties Available

More than one insurance plan is offered for cotton in some locations. Contact your crop insurance agent for more details on plans offered in your state and county.

Causes of Loss

Adverse weather conditions
 Earthquake
 Failure of irrigation water supply¹
 Fire
 Harvest price less than base price
 Insects²
 Plant disease³
 Volcanic eruption
 Wildlife

¹If caused by an insured peril during the insurance period.

²But not damage due to insufficient or improper application of pest control measures. ³But not damage due to insufficient or improper application of disease control measures.

Insurance Period

Coverage begins when the crop is planted and ends at the earliest of:

- 1) Total destruction of the crop;
- 2) Removal from the field;
- 3) Final adjustment of a loss;
- 4) Abandonment of the crop; or
- 5) December 31.

Reporting Requirements

- **Acreage Report** -You must timely report all acres of the crop in which you have a share.
- **Notice of Loss**— (1) Protect the crop from further damage by providing sufficient care; (2) notify your agent within 72 hours of your initial discovery of damage; and (3) if damage is discovered during, or within 15 days of, harvest leave representative samples intact for our inspection; and (4) stalks must not be destroyed and samples must not be harvested until our inspection or 15 days after harvest of the balance of the unit is completed.
- If you expect a revenue loss on the unit, you must give notice no later than 45 days after the harvest price is released.

Important Dates

Sales Closing.....	February 28
Final Planting.....(Dates differ by state and county. Contact your crop insurance agent.)	
Acreage Reporting.....	FL: July 10 AL, GA, SC: June 30
Premium Billing.....	November 1
Cancellation/Termination.....	February 28

Definitions

Approved Yield—The average of the actual production history (APH) yields, assigned or adjusted

yields, or unadjusted transitional yields that is calculated and approved by your verifier.

Base Price—The price that determines the minimum guarantee and premium is based on the December New York Cotton Exchange (NYCE) futures contracts average daily settlement price during the period of January 15 - February 14 of the year the crop is planted.

Harvest Price—The price used to calculate revenue and harvest guarantee is based on the December NYCE futures average daily settlement price during November of the year the crop is planted.

Minimum Guarantee—Approved APH yield x base price x coverage level.

Harvest Guarantee—Approved APH yield x harvest price x coverage level.

Final Guarantee—The **higher of** the minimum or the harvest guarantee. (Note: Your premium will not increase if final guarantee is higher than the minimum guarantee.)

Calculated Revenue—Value of your production calculated as pounds produced x harvest price.

Indemnity—final guarantee - calculated revenue.

Price Elections—Price election for base price and harvest price are posted on the RMA Web site at:

<http://www3.rma.usda.gov/apps/pricesinquiry/>

Insurance Units

Your insurable acreage is grouped into a unit based on one of the following unit arrangements:

Basic Units: A basic insurance unit includes all of your insurable cotton acreage in the county in which you have 100-percent share and includes any cash-rented land. If you also grew cotton on shares with another entity, that acreage would be a separate basic unit. Premiums are reduced by 10 percent if you insure under basic units.

Optional Units: If a basic unit consists of two or more farm serial numbers (FSN) and certain record-keeping criteria are met, you may select optional units by FSN. The 10-percent basic unit premium discount will not apply.

Enterprise Unit: An enterprise unit combines all your insurable cotton in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A premium discount will apply, based upon the number of insured acres. To qualify for an enterprise unit, the unit must contain 50 or more acres and be eligible for two or more basic or optional units. Beginning in the 2009 crop year, enterprise units will receive an increased premium subsidy.

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 85 percent of your approved APH yield. Crop insurance premiums are subsidized as shown in the following table. For example, if you select the 75-percent coverage level, your premium share would be 45 percent of the base premium (100 percent - 55 percent subsidy = 45 percent).

Coverage Level %	50	55	60	65	70	75	80	85
Premium Subsidy %	67	64	64	59	59	55	48	38
Enterprise Unit Subsidy %	80	80	80	80	80	77	68	53

Catastrophic (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you. There is, however, an administrative fee of \$300 per crop per county, regardless of the acreage.

Loss Example

This example assumes an approved APH yield of 800 pounds per acre, a base price of \$0.77, a harvest price of \$0.42, 700 pounds per acre production-to-count, and 65-percent coverage level.

800	Pounds per acre approved APH yield
x .65	Coverage level
520	Pounds per acre guarantee basis
x .77	Base price per pound
\$ 400	Minimum guarantee per acre

If harvest price is less than base price, harvest guarantee does not enter indemnity calculation. If harvest price is greater than base price, it is used for final guarantee.

\$ 400	Final guarantee per acre
	(Minimum guarantee > harvest guarantee)
- \$ 294	Calculated revenue
	(700 pounds per acre produced x \$0.42 harvest price)
\$ 106	Indemnity per acre

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