United States Department of Agriculture
Risk Management Agency

December 2011

2012 COMMODITY INSURANCE FACT SHEET

Cotton - American Upland

Alabama, Florida, Georgia, South Carolina

Crop Insured

The crop insured will be all cotton grown for lint in the county in which you have a share and premium rates are provided by actuarial documents that is not (unless allowed by written agreement):

- Colored cotton lint;
- Planted into an established grass or legume unless the grass or legume was terminated prior to emergence of the cotton; or
- Interplanted with another spring planted crop.

Yield and Revenue Protection Insurance

One policy provides the choice of three plans:
Yield Protection: Insurance coverage providing protection only against a production loss.
Revenue Protection: Insurance coverage providing protection against loss of revenue due to a production loss, price decline/increase, or a combination of both.
Revenue Protection with Harvest Price Exclusion: Insurance coverage providing protection only against loss of revenue due to a production loss, price decline, or a combination of both.

Causes of Loss

Adverse weather conditions	Plant disease[3]
Earthquake	Price change[4]
Failure of irrigation water supply[1]	Volcanic eruption
Fire	Wildlife
Insects[2]	

[1]If caused by an insured peril during the insurance period. [2]But not damage due to insufficient or improper application of pest control measures. [3]But not damage due to insufficient or improper application of disease control measures. [4]For Revenue Protection, a change in the harvest price from the projected price.

Counties Available

Please contact your insurance agent for a listing of eligible counties.

Other Plans of Insurance

These plans are available only in certain Georgia counties. Contact your agent for more information.

Group Risk Plan (GRP) provides protection against widespread loss of production based on county average yields.
Group Risk Income Protection (GRIP) is similar to GRP but factors in price to place the coverage in revenue terms. A projected price and harvest price is determined from the futures market.

GRP and GRIP are area based coverage plans and do not provide protection for losses on an individual farm basis.

Insurance Period

Coverage begins when the crop is planted and ends at the earliest of:
1) Total destruction of the crop;
2) Removal of the cotton from the field;
3) Final adjustment of a loss;
4) Abandonment of the crop; or
5) December 31.

Important Dates

Sales Closing…….………….......……….	February 28
Final Planting……......	(Dates differ by state and county)
Acreage Reporting………………...……......…	July 15
Premium Billing……….........……....….	August 15
Cancellation/Termination…..……...…..	February 28

Reporting Requirements

Acreage Report - You must report to your insurance agent by the acreage reporting date all acres of the crop in which you have a share.
Notice of Loss - In the event 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) Cotton stalks must not be destroyed and representative samples (if required) for each field in the damaged unit must not be harvested until our inspection or 15 days after harvest of the balance of the unit is completed and written notice of loss provided.

Prices

Commodity Exchange Price Provisions (CEPP) contains information necessary to derive the projected price and the harvest price for the insured crop.
Projected Price – Determined from the Intercontinental Exchange (ICE) average daily settlement price of the December futures contract for the period of January 15 – February 14 in accordance with the Commodity Exchange Price Provisions (CEPP). Projected price is used to calculate your premium and any prevented planting payment.
Harvest Price – Determined from the ICE average daily settlement price of the December futures contract for the period of October 1 – October 31 in accordance with CEPP.

For more information consult your agent or see : http://webapp.rma.usda.gov/apps/ActuarialInformationBrowser/

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.
Harvest Price Exclusion—Revenue protection with use of harvest price excluded when determining the revenue guarantee. (Note: Harvest price is not excluded for determining value of production in loss determination.)
Production Guarantee—Number of pounds determined by multiplying your approved yield per acre by any applicable yield conversion factor for non-irrigated skip-row planting patterns, and multiplying the result by the coverage level percentage you elect.
Revenue Protection Guarantee—For revenue protection only, amount determined by multiplying the production guarantee by the greater of the projected price or the harvest price. If the harvest price exclusion is elected, the production guarantee is only multiplied by the projected price.

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 85 percent of your approved yield. For example, an approved yield of 700 pounds per acre would result in a guarantee of 525 pounds per acre at the 75-percent coverage level. Crop insurance premiums are subsidized as shown in the following table. Your share of the premium will be 100 percent minus the subsidy amount. For example, you select the 75-percent coverage level, your coverage will be based on 75 percent of your approved yield and the premium subsidy is 55 percent if you have basic or optional units. Your premium share is 45 percent of the base premium for basic or optional units (100-55 = 45 percent), 23 percent for an enterprise unit (100-77=23 percent), or 20 percent for a whole farm unit (100-80=20 percent).

Coverage Level %	50	55	60	65	70	75	80	85
Percent Premium Subsidy								
Basic//Optional Unit	67	64	64	59	59	55	48	38
Enterprise Unit	80	80	80	80	80	77	68	53
Whole Farm Unit*	80	80	80	80	80	80	71	56

Catastrophic (CAT) coverage is fixed at 50 percent of your production guarantee and 55 percent of the projected price. 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.

* Only available with Revenue Protection policies.

Insurance Units

Basic Units: A basic insurance unit includes all 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. A variable premium discount applies. Consult your agent for more details.
Optional Units: A basic unit may be divided into two or more optional units by FSA farm serial number (FSN), irrigated and non-irrigated acreage, or organic practice. No premium discount applies. Consult your agent for more details.
Enterprise Unit: All insurable cotton in the county in which you have a share. To qualify for an enterprise unit, you must:

- insure under yield or revenue protection; and
- have at least two FSN which each have the lesser of 20 acres or 20 percent of the insured crop acreage in the enterprise unit; or
- have one FSN with at least 660 planted acres.

A variable premium discount and increased premium subsidy apply. Consult your agent for more details.

Whole Farm Unit: Available for Revenue Protection policies only for two or more crops. A variable premium discount and increased premium subsidy apply. Consult your agent for more details.

Replant Provision

A replant payment is not available for cotton.

Prevented Planting

Prevented planting coverage will be 50 percent of your production guarantee for timely planted acreage. Your prevented planting production guarantee will be based on your approved yield without adjustment for skip-row planting patterns. Consult a crop insurance agent for details on increasing this coverage.

Cottonseed (Pilot) Endorsement

The Cottonseed Endorsement allows you to insure your production of cottonseed per acre, in pounds only, and is available as an endorsement for yield or revenue policies. The pounds of seed are determined by multiplying your approved APH yield of lint by the conversion factor specified in the Special Provisions of Insurance for your county. The pounds of seed are then multiplied by $0.11 and your coverage level to determine your guarantee per acre.

Loss Example

Yield protection loss occurs when cotton production for the unit falls below the production guarantee as a result of damage from a covered cause of loss. Revenue protection loss occurs when the value of production to count is less than the revenue protection guarantee due to a production loss and/or a loss of revenue. The example assumes the insured has a 100-percent share, 70-percent coverage level, and a $1.15 projected price. The cotton is non-irrigated with an approved APH yield of 700 pounds per acre. The production to count is 125 pounds per acre due to an insurable cause of loss and the harvest price is $1.01 per pound.

Yield Protection		**Revenue Protection**
700	Pounds/Acre APH yield	700
x .70	Coverage Level	x .70
490	Pounds/Acre Guarantee	490
x $ 1.15	Projected Price	x $ 1.15
$563.50	Insurance Guarantee	$563.50
125	Pounds Produced	125
x $ 1.15	Projected or Harvest Price	x $ 1.01
$ 143.75	Production to Count Value**	$ 126.25
$563.50	Insurance Guarantee*	$563.50
- $ 143.75	Production to Count Value**	- $126.25
$ 419.75	**Indemnity/Acre**	**$437.25**

* For Revenue Protection, the insurance guarantee is equal to the production guarantee multiplied by the greater of the projected price or the harvest price

** For Revenue Protection, the production to count value is equal to the production to count multiplied by the harvest price.

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