USDA United States Department of Agriculture

A Risk Management Agency Fact Sheet 2015 Crop Year

Valdosta Regional Office — Valdosta, GA

February 2015

Cotton

Alabama, Florida, Georgia, South Carolina

Crop Insured

All of your cotton, grown for lint, is insurable by yield or revenue protection plans in the county if:

- The actuarial documents provide premium rates;
- It is not colored cotton lint;
- It is not interplanted with another spring planted crop unless allowed through a written agreement; and
- You have a share in the crop.

Counties Available

See actuarial documents at http://webapp.rma.usda.gov/apps/actuarialinformationbrowser2015/CropCriteria.aspx for insurable counties. The crop may be insurable in other counties by written agreement if specific criteria are met. Talk to your crop insurance agent for more details.

Causes of Loss

You are protected against the following:

- Adverse weather conditions;
- Earthquake;
- Failure of irrigation water supply, if caused by an insured peril during the insurance year;
- Fire;
- Insects or plant disease, but not damage due to insufficient or improper application of control measures;
- Price change (for revenue protection);
- Volcanic eruption; or
- Wildlife.

Insurance Period

Coverage begins when the crop is planted and ends with the earliest occurrence of one of the following:

- Total destruction of the crop;
- Removal of the cotton from the field;
- Final adjustment of a loss;
- Abandonment of the crop; or
- December 31.

Important Dates

Sales Closing/Cancellation ….......... February 28, 2015
Final Planting ….................. Varies by County and State
Acreage Reporting ……..……......…...… July 15, 2015
Premium Billing ……....…..............…. August 15, 2015
Termination ….……..……................ February 28, 2016

Reporting Requirements

Acreage Report - You must report all acres of your cotton, in which you have a share in the county, to your crop insurance agent by the acreage reporting date.

Duties in the Event of Damage or Loss

You must perform the following duties in the event of damage or loss:

- Notify your agent within 72 hours of your initial discovery of damage or loss of production, but not later than 15 days after the end of the insurance period; and
- Cotton stalks must not be destroyed and representative samples (if required), for each field in the damaged unit, must not be harvested until inspected, or 15 days after harvest of the balance of the unit is completed, whichever is earlier, and written notice of probable loss is given to the insurance company.

Insurance Plans

Area Risk Protection Insurance - Available only in certain Georgia counties. Provides protection against widespread loss of either revenue or yield. Individual farm revenues and yields are not considered. It is possible that your individual farm may experience reduced revenue or yield and not receive an indemnity under this plan.

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. Harvest price is not excluded for determining value of production in loss determination.

Stacked Income Protection (STAX) - An area based policy available in all counties where cotton crop insurance is currently offered. You may purchase STAX as a stand-alone policy or as a companion policy to your yield or revenue policy. STAX provides coverage for a portion of the expected revenue for an area. The trigger for a loss is based on an area loss in revenue. Talk to your insurance agent for more information.

Definitions

Approved Yield - The average of the actual production history (APH) yields, assigned or adjusted yields, or unadjusted transitional yields that your insurance company calculates and approves.

Commodity Exchange Price Provisions - Contains information necessary to set the projected and harvest prices for the insured crop.

Harvest Price - Determined from the Intercontinental Exchange average daily settlement price of the December cotton futures contract for October 1 – October 31 according to the Commodity Exchange Price Provisions.

Projected Price - Determined from the Intercontinental Exchange average daily settlement price of the December cotton futures contract for January 15 – February 14 according to the Commodity Exchange Price Provisions. The projected price is used to calculate your premium and any prevented planting payment. For more information talk to your crop insurance agent or visit: webapp.rma.usda.gov/apps/ActuarialInformationBrowser/.

Production Guarantee - Pounds guaranteed, determined by multiplying your approved yield per acre by any applicable yield conversion factor for non-irrigated, skip-row planting patterns and by the coverage level percentage you choose.

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 you choose the harvest price exclusion, 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. You may choose one coverage level for all your irrigated acreage in the county and a different coverage level for all your non-irrigated acreage. Crop insurance premiums are subsidized as shown in the following table (for basic or optional units). Your share of the premium is 100 percent minus the subsidy amount. For example, if you choose 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 (100 - 55= 45 percent). Talk to your crop insurance agent for enterprise or whole-farm unit subsidies.

Item	Percent							
Coverage Level	50	55	60	65	70	75	80	85
Premium Subsidy	67	64	64	59	59	55	48	38
Your Premium Share	33	36	36	41	41	45	52	62

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

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.

Optional Units - A basic unit may be divided into two or more optional units by Farm Service Agency farm number, irrigated and non-irrigated acreage, or organic practice. No premium discount applies.

Enterprise Unit - All insurable cotton in the county in which you have a share. Enterprise units are allowed by irrigated or non-irrigated practice. To qualify for an enterprise unit, you must have:

- Yield or revenue protection insurance; and
- At least two farm numbers, each having the lesser of 20 acres or 20 percent of the insured crop acreage in the enterprise unit; or
- One farm number with at least 660 planted acres.

A variable premium discount and increased premium subsidy apply.

Whole-Farm Unit - Available only for Revenue Protection policies with two or more crops. A variable premium discount and increased premium subsidy apply. A separate administrative fee is required for each crop included in the whole-farm unit. Talk to your crop insurance agent for more details.

Prevented Planting

Prevented planting coverage is 50 percent of your production guarantee for timely planted acreage. The production guarantee is based on your approved yield without adjustment for skip-row planting patterns. Talk to your agent for details on increasing this coverage.

Replant Provision

A replant payment is not available for cotton.

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 for your county. The pounds of seed are then multiplied by $0.11 and your coverage level to determine your guarantee per acre.

Supplemental Coverage Option (SCO)

This policy endorsement provides additional coverage for a part of your cotton policy deductible up to the 86 percent coverage level. SCO may be added to individual yield or revenue plans. The coverage is based on your expected crop value. The trigger for a loss is based on an area loss in yield or revenue. Talk with your insurance agent for county availability and detailed information on this endorsement.

Loss Example

A yield protection loss occurs when cotton production for the unit falls below the production guarantee because of damage from a covered cause of loss. A 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 revenue loss. Assume non-irrigated cotton, approved yield of 700 pounds per acre, 70 percent coverage level, 100 percent share, and a $0.81 projected price. The production-to-count is 125 pounds per acre due to an insurable cause of loss and the harvest price is $0.83 per pound.

Yield Protection		Revenue Protection
700	Pounds/Acre APH yield	700
x 0.70	Coverage Level	x 0.70
490	Pounds/Acre Guarantee	490
x $0.81	Projected Price	x $0.81
$396.90	Insurance Guarantee	$396.90
125	Pounds Produced	125
x $0.81	Projected or Harvest Price	x $0.83
$101.25	Production to Count Value	$103.75
$396.90	Insurance Guarantee	$406.70
- $101.25	Production-to-Count Value	- $103.75
$295.65	**Indemnity/Acre**	**$302.95**

Notes for Loss Example:

- The Revenue Protection insurance guarantee (initially based on the projected price until the harvest price is established) is equal to the production guarantee multiplied by the greater of the projected price or the harvest price. In the Revenue Protection example, the insurance guarantee increased to $406.70 (490 pounds per acre guarantee x $0.83 harvest price, rounded).
- The production-to-count value is equal to the production to count multiplied by the harvest price (125 pounds production x $0.83 per pound harvest price = $103.75).

Where to Buy Crop Insurance

All multi-peril crop insurance, including CAT policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at: www3.rma.usda.gov/apps/agents/.

Contact Us

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