



United States Department of Agriculture  
Risk Management Agency

February  
2013

## 2013 COMMODITY INSURANCE FACT SHEET

# Cotton

## Missouri

### Crop Insured

Cotton is insurable if:

- It is all the cotton lint grown in the county on insurable acreage;
- Premium rates are provided;
- You have a share, and
- It is planted for harvest as cotton lint under the Common Crop Insurance Policy.

Cotton is not insurable, if it is a non-irrigated crop on acreage where:

- A perennial hay crop was harvested;
- A crop (other than a cover crop) reached the headed or budded stage prior to termination, regardless of the percentage of plants that reach the headed or budded stage; or
- A cover crop is terminated after 50% of the cover crop has headed or budded.

Coverage for cotton grown using an organic farming practice is available.

Contact a crop insurance agent for more details

### Counties Available

Cotton is insurable in seven counties in Missouri: Butler, Dunklin, Mississippi, New Madrid, Pemiscot, Scott, and Stoddard

Coverage in other counties may also be available by individual written agreement if certain criteria are met, including records for at least three years of production history.

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
Failure of irrigation water supply<sup>2</sup>  
Fire<sup>3</sup>  
Insects<sup>4</sup>  
Plant disease<sup>4</sup>  
Wildlife

<sup>1</sup>Such as hail, freeze, excess wind, excess rain, drought, and tornado.

<sup>2</sup>If caused by an insured cause of loss within the insurance period.

<sup>3</sup>If due to natural causes.

<sup>4</sup>Only if effective control measures do not exist for such infestation.

### Insurance Period

Insurance coverage begins on the later of:

- 1) Date we accept your application; or
- 2) Date when the cotton is planted.

Insurance coverage ends at the earliest of:

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

### Reporting Requirements

**Acreage Report**—You must give a report of all your cotton acreage in the county by the acreage reporting date.

### Important Dates

Sales Closing/Cancellation Date ..... March 15  
Final Planting Date ..... May 20  
Acreage Report Date ..... July 15  
Premium Billing ..... August 15  
End of Insurance ..... December 31

### Coverage Levels and Premium Subsidies

Cotton may be insured at the coverage levels shown in the table below. For example if you select the 75-percent coverage level, the premium subsidy is 55 percent and your premium share is 45 percent of the base premium.

| Coverage Level  |                              | 0.50 | 0.55 | 0.60 | 0.65 | 0.70 | 0.75 | 0.80 | 0.85 |
|-----------------|------------------------------|------|------|------|------|------|------|------|------|
| Subsidy Factors | Enterprise Unit              | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.77 | 0.68 | 0.53 |
|                 | Basic Unit                   | 0.67 | 0.64 | 0.64 | 0.59 | 0.59 | 0.55 | 0.48 | 0.38 |
|                 | Optional unit                | 0.67 | 0.64 | 0.64 | 0.59 | 0.59 | 0.55 | 0.48 | 0.38 |
|                 | Whole Farm Unit <sup>1</sup> | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.71 | 0.56 |

<sup>1</sup>Not available for Yield Protection Plan

## Catastrophic Coverage

Catastrophic coverage (CAT) is available at 50 percent of your APH yield and 55 percent of the established price election. The total cost for CAT coverage will be an administrative fee of \$300 per crop per county, regardless of the acreage.

Administrative fees, in addition to premium costs, for coverage levels above CAT are \$30 per crop per county. Available for Yield Protection Plan only.

## Price Elections

Prices are calculated in accordance with the Commodity Exchange Price Provisions. Missouri cotton prices are based on the December futures market price for cotton. The projected price discovery period is February 1 through February 28. The harvest price discovery period is October 1 through October 31. These prices will be released no later than three business days following the end of the price discovery period. Depending on the insurance plan, these prices will be used for compensation per pound in case of loss. Contact your agent or for more information see: <http://www.rma.usda.gov/tools/pricediscovery.html>

## Insurance Units

**Basic Unit:** A basic unit includes all of your insurable cotton acreage in the county by share arrangement. Premiums are reduced 10 percent for a basic unit.

**Optional Unit:** If a basic unit consists of two or more sections of land, and certain record keeping requirements are met, you may apply for optional units by section. The 10-percent premium discount will not apply.

**Enterprise Unit:** Generally, all insured cotton acreage in a county. Premium discounts apply.

**Whole Farm Unit:** Generally, all the insured crops in the county that are covered by the insurance plan. Premium discounts apply (Not available under the Yield Protection Plan).

## Plans of Insurance

### Common Crop Insurance Policy

Common Crop Insurance Policy Basic Provisions (11br).

- **Yield Protection Plan** is a plan of insurance that only provides protection against a production loss and is available only for crops for which revenue protection is available.
- **Revenue Protection Plan** is plan of insurance that provides protection against loss of revenue due to a production loss, price decline or increase, or a combination of both.

- **Harvest price exclusion** - Revenue protection with the use of the harvest price excluded when determining your revenue protection guarantee. This election is continuous unless canceled by the cancellation date.

## Replant Provisions

No replant payment is available.

## Late and Prevented Planting

These provisions provide protection on insurable acreage that is prevented from planting the insured crop by an insured cause of loss or that cannot be planted at all. Your prevented planting coverage will be 50 percent of your Final Guarantee for timely planted acreage. You may increase your prevented planting coverage to a level specified in the actuarial documents by paying an additional premium. The late planting period begins the day after the final planting date and ends 15 days after the final planting date. Please consult a crop insurance agent for details.

## Trend-Adjusted APH Yield Option

The Trend-Adjusted APH Yield Option, adjusts yields in APH databases to reflect increases in yields through time in the county. Trend adjustments are made on each eligible yield within a qualifying APH database based on the county's historical yield trend, which is provided in the county actuarial documents. The approved APH yield is calculated using trend-adjusted yields, as well as any other applicable yields, within the APH database. It may not be available for all practices, and the factor may vary by practice. This option is not available under CAT or for GRP and GRIP plans of insurance.

## Cottonseed (Pilot) Endorsement

You must elect this Endorsement in writing on or before the sales closing date. This Endorsement operates in all counties where coverage is offered for lint production. You must insure the cottonseed associated with all cotton lint insured in the county. Each cottonseed production guarantee will be included within the unit from which the cotton lint production guarantee was used to establish liability. You may elect this Endorsement in conjunction with either yield protection or revenue protection as elected under the Cotton Crop Provisions; however, the cottonseed guarantee will be for yield only.

## Loss Example

Under yield protection a loss occurs when the pounds of cotton produced for the unit fall below the production guarantee as a result of damage from a covered cause of loss. Under revenue protection a 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.

Assume a 840 pounds per acre APH yield, 75-percent coverage level, 100 percent of the price, a Projected price of \$0.93, a Harvest price of \$0.73, and basic unit coverage.

### Yield Protection

|                   |                          |
|-------------------|--------------------------|
| 840               | APH yield pounds/acre    |
| <u>x .75</u>      | Coverage level           |
| 630               | Pound guarantee          |
| x <u>\$0.93</u>   | Projected price          |
| \$585.90          | Insurance guarantee      |
| 400               | Pounds per acre produced |
| x <u>\$0.93</u>   | Projected Price          |
| \$372.00          | Value of production      |
| \$585.90          | Insurance guarantee      |
| - <u>\$372.00</u> | Value of production      |
| <b>\$214.00</b>   | <b>Gross indemnity*</b>  |

### Revenue Protection

|                   |                                |
|-------------------|--------------------------------|
| 840               | APH yield pounds/acre          |
| <u>x .75</u>      | Coverage level                 |
| 630               | Pound guarantee                |
| x <u>\$0.93</u>   | Price used to determine value* |
| \$585.90          | Insurance guarantee            |
| 400               | Pounds per acre produced       |
| x <u>\$0.73</u>   | Harvested Price                |
| \$292.00          | Value of production            |
| \$585.90          | Insurance guarantee            |
| - <u>\$292.00</u> | Value of production            |
| <b>\$294.00</b>   | <b>Gross indemnity**</b>       |

\* Higher of Projected Price or Harvest Price

\*\*Figures shown per acre; guarantees and losses are paid by unit. See policy provisions or ask your crop insurance agent for more information.

## 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 on the RMA Web site at:

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

## Regional Contact

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