



United States Department of Agriculture  
Risk Management Agency

May 2006

## 2006 COMMODITY INSURANCE FACT SHEET

# Cotton

## North Carolina

### Crop Insured

Lint cotton produced from varieties that are recognized as American Upland cotton may be insurable. Colored cotton lint is not insurable unless allowed by the Special Provisions of Insurance or by individual written agreement.

### Causes of Loss

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

<sup>1</sup>Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. <sup>2</sup>If caused by an insured peril. <sup>3</sup>But not damage due to insufficient or improper application of recommended control measures.

### Insurance Period

Coverage usually begins when the insured crop is planted and ends the earliest of: (1) destruction of the crop, (2) harvest of the crop, (3) abandonment of the crop, (4) final adjustment of a claim, (5) December 31, 2006.

### Reporting Requirements

You must report all acreage of your cotton, both insured and uninsured, to your agent by the date shown below.

### Important Dates

Sales Closing ..... February 28, 2006  
Final Planting Date ..... May 15, 2006  
Acreage Report Due ..... June 30, 2006

### Definitions

**Production Guarantee**— Pounds guaranteed per acre determined by multiplying your average yield (based on your records) times the coverage level percentage you select.

**Price Election**— Price used to calculate your premium or indemnity. Prices are posted on the RMA website at:

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

### Price Election

**\$.53 per pound**

### Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 85 percent of your average yield and are subsidized as shown below. For example, an average yield of 800 pounds per acre results in a guarantee of 600 pounds per acre at the 75-percent coverage level.

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 (CAT) coverage is fixed at 50 percent of average yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of \$100, regardless of the acreage.

### Duties in the Event of Damage or 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 (but not later than 15 days after the end of the insurance period); and (3) leave representative samples intact for each field of the damaged unit.

## Insurance Units

Your insurable acreage is grouped into a unit based on your selection of one of the following unit arrangements.

**Basic Unit:** A basic insurance unit includes all of your cotton acreage in the county by share arrangement. For example, the cotton acreage on your own farm (including land cash rented) would be one basic unit, while other land on shares with someone else would be a second basic unit. Premiums are reduced 10 percent for a basic unit.

**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 cotton in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A varying premium discount will apply, based upon the number of insured acres. You must qualify for two or more basic/optional units in order to be eligible for an enterprise unit.

## Late and Prevented Planting

These provisions provide reduced protection on acreage that is planted late or that cannot be planted by the final planting date or within the late planting period. Consult a crop insurance agent for more details.

## Loss Example

This example is based on actual production history (APH) yield of 800 pounds per acre, 75-percent coverage level, non-irrigated practice, and one basic unit.

800	Pounds per acre average APH yield
<u>x .75</u>	Coverage level
600	Pounds per acre guarantee
<u>- 200</u>	Pounds per acre actually produced
400	Pounds per acre loss
<u>x .53</u>	Price election
\$212	Indemnity per acre
<u>- \$12</u>	Estimated premium per acre (varies)
<b>\$200</b>	<b>Net indemnity per acre</b>

## Counties Available

Anson	Beaufort	Bertie
Bladen	Brunswick	Cabarrus
Camden	Carteret	Chatham
Chowan	Cleveland	Columbus
Craven	Cumberland	Currituck
Davidson	Duplin	Edgecombe
Franklin	Gaston	Gates
Granville	Greene	Halifax
Harnett	Hertford	Hoke
Hyde	Iredell	Johnston
Jones	Lee	Lenoir
Lincoln	Martin	Montgomery
Nash	Northampton	Onslow
Pamlico	Pasquotank	Pender
Perquimans	Pitt	Richmond
Robeson	Rowan	Rutherford
Sampson	Scotland	Stanly
Tyrrell	Union	Wake
Warren	Washington	Wayne
Wilson		

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