United States Department of Agriculture
Risk Management Agency

January 2011

2011 COMMODITY INSURANCE FACT SHEET

Cotton

North Carolina and Virginia

Crop Insured

The crop insured will be all Upland Cotton grown in the county on insurable acreage, for which premium rates are provided, in which you have a share, and is planted for harvest as lint or seed. Cotton my be covered with yield protection or revenue protection. Cotton previously covered under the Crop Revenue Coverage plan will be converted to Revenue Protection. Insurance coverage for Cotton Seed is available with the Cotton Seed Endorsement. Consult your agent for more information.

- **Yield Protection Plan** provides protection against production losses.
- **Revenue Protection Plan** provides protection against loss of revenue due to a production loss, price decline or increase, or a combination of both.
- **Revenue Protection** with **Harvest Price Exclusion Plan** provides protection against loss. Revenue caused by price decrease, low yield or a combination of both based on the projected price only.

Other Plans of Insurance

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. Available only in certain North Carolina counties, consult your agent.

Causes of Loss

Adverse weather conditions[1]
Failure of irrigation water supply[2]
Fire[3]
Insects[4]
Plant disease[4]
Wildlife

[1]Including hail, frost, freeze, drought, and excess precipitation. [2]If due to an insured cause of loss within the insurance period. [3]If due to natural causes. [4]But not damage due to insufficient or improper applications of pest or disease control measures.

Counties Available

Coverage for Upland Cotton and Cotton Seed is available in certain counties. Contact your local agent to determine availability in your county.

Insurance Period

Insurance coverage begins on the later of the date we accept your application or the date when the crop is planted, and will end at the earliest of: (1) total destruction of the crop; (2) harvest of the unit; (3) final adjustment of a loss; (4) abandonment of the crop or (5) December 31.

Important Dates

North Carolina:
Sales Closing Date........................February 28, 2011
Final Planting Date[1]............. May 15 or May 20, 2011
Acreage Reporting Date........................July 15, 2011
Virginia:
Sales Closing Date............................ March 15, 2011
Final Planting Date .... May 15, 2011
Acreage Reporting Date........................July 15, 2011

[1] contact a crop insurance agent for specific dates in your county.

Reporting Requirements

You must file a report of planted acreage to your crop insurance agent by the acreage reporting date established for your county. Since acreage reporting dates vary by crop and county, consult your agent or for more information see: http://www.rma.usda.gov/tools/

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

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); (3) leave representative samples intact for each field of the damaged unit.

Coverage Levels and Premium Subsidies

The premium subsidy percentages and available coverage levels are shown below. Your share of the premium will be 100 percent minus the subsidy amount.
*Where applicable.

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

For example, if you select the 75 percent coverage level, your coverage will be 75 percent of your approved APH yield and the premium subsidy is 55 percent. Your premium share is 45 percent of the base premium (100-55 = 45%) for optional and basic units or 23 percent for enterprise units (100-77=23%). Catastrophic coverage (CAT) is available at 50 percent of your APH yield and 55 percent of the price election. The total cost for CAT coverage will be an administrative fee of $300 per crop per county, regardless of the number of acres. For coverage levels above CAT, the administrative fee is $30 per crop per county in addition to the premium cost.

Price Elections

Prices for Upland Cotton are based on futures market prices. Projected prices are generally available 15 days prior to the sales closing date. The harvest price is generally available at the end of the month when most of the crop is harvested. The Cottonseed endorsement price is the amount contained in the actuarial documents which is a dollar amount per pound. Consult your agent or for more information see: http://webapp.rma.usda.gov/apps/ActuarialInformationBrowser/Default.aspx

Insurance Units

Basic Unit: A basic unit includes all of your insurable cotton acreage in the county by crop by share arrangement. Premiums are reduced 10 percent for a basic unit.
Optional Unit: If a basic unit consists of two or more FSA farm serial numbers and certain record keeping requirements are met, you may qualify for optional units. The 10 percent premium discount will not apply.
Enterprise Unit: Generally, all the insured acreage of the crop in a county. Premium discounts and additional subsidy apply.
Whole Farm Unit: Generally, all the insured crops in the county that are covered by the insurance plan. Premium discounts and additional subsidy apply. Does not apply to Yield Protection Plan.

Late and Prevented Planting

These provisions provide protection on acreage planted after the final planting date or that cannot be planted. Please consult a crop insurance agent for details.

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. This example assumes a 800 pounds/acre APH yield, 75 percent coverage level, $0.55 projected price, $0.47 harvest price, and 200 pounds produced.

Yield Protection		**Revenue Protection**
800	APH yield pounds/acre	800
x .75	x Coverage level	x .75
600	Pounds guarantee	600
$ .55	x Projected Price	$ .55
$330.00	Value of Insurance Guarantee	$330.00
200	Pounds produced	200
$ .55	x Price election	$ .47
$110.00	- Value of production to Count	$ 94.00
$220.00	**Net indemnity per acre**	**$236.00**

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