SUMMARY OF CHANGES FOR THE
INCOME PROTECTION-COTTON CROP PROVISIONS (2000-321)

The following is a brief description of changes to the Income Protection-Cotton crop provisions that will be effective for the 2000 crop year. Please refer to the crop provisions for more complete information. These modifications include, but are not limited to:

(a) The definition of "amount of protection" (section 1) was modified to clarify the location of provisions regarding the "amount of protection" for CAT coverage.
(b) Section 12(a) (Settlement of Claim) was revised to change the way a claim is settled for catastrophic risk protection coverage.
(c) Section 15(b) is revised to clarify how the "amount of protection" is calculated for CAT coverage.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Income Protection - Cotton Crop Provisions

This is a pilot risk management program created by the Federal Crop Insurance Corporation. This risk management tool will be insured under the authority provided by the Federal Crop Insurance Act as amended.

If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; (2) these Crop Provisions; and (3) the Basic Provisions with (1) controlling (2), etc.

1. Definitions

Administrative fee - An amount you must pay for catastrophic risk protection, limited, or additional coverage for each crop year as specified in the Basic Provisions and section 15 of these crop provisions.

Amount of protection - The dollar amount of insurance is determined by multiplying the production amount, times the projected price, times the net acres (see section 15 for Catastrophic Risk Protection Coverage (CAT) amount of protection).

Cotton - Varieties identified as American Upland Cotton.

Good farming practices - The cultural practices generally in use in the county for the insured cotton to make normal progress toward maturity and produce at least the yield used to determine your production amount and are those recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the area.

Growth area - A geographic area designated by the Secretary of Agriculture for the purpose of reporting cotton prices.

Harvest - The removal of the seed cotton from the open cotton boll, or the severance of the open cotton boll from the stalk by either manual or mechanical means.

Harvest price - The average derived by totaling the final closing daily settlement prices for the current year New York Cotton Exchange December cotton futures contract for each trading day of November of the current year, and dividing that total by the number of daily settlement prices. The harvest price will be calculated by FCIC before December 5.

Mature cotton - Cotton that can be harvested either manually or mechanically.

Net acres - The acreage of the insured cotton crop multiplied by your share.

Planted acreage - In addition to the definition contained in the Basic Provisions, cotton must be planted in rows, unless otherwise provided by the Special Provisions or actuarial documents. The yield conversion factor normally applied to non-irrigated skip-row cotton acreage will not be used if the land between the rows of cotton is planted to any other spring crop.

Production amount (per acre) - The number of pounds determined by multiplying the approved yield per acre by the applicable yield conversion factor for non-irrigated skip-row planting patterns, times the coverage level percentage you elect.

Projected price - The average derived by totaling the final closing daily settlement prices for the current year New York Cotton Exchange December cotton futures contract for each trading day from January 15 through February 14 of the current year, and dividing that total by the number of daily settlement prices. The projected price will be calculated by FCIC before February 20.

Skip-row - A planting pattern that:

(1) Consists of alternating rows of cotton and fallow land or land planted to another crop the previous fall; and

(2) Qualifies as a skip-row planting pattern as defined by the Farm Service Agency (FSA) or a successor agency.

2. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

(a) In lieu of section 3 of the Basic Provisions, the information necessary to determine the amount of protection will be contained in the Special Provisions or in the actuarial documents. The price at which an indemnity will be determined will be the harvest price.

(b) Catastrophic risk protection provided under 7 CFR part 402 is not available. In lieu of section 3 of the Basic Provisions, producers who elect catastrophic risk protection will receive coverage in accordance with the Catastrophic Risk Protection Coverage section of these provisions.

3. Unit

In lieu of sections 1 and 34 of the Basic Provisions, a unit is all insurable acreage of cotton in the county in which you have a share on the date coverage begins for the crop year.

4. Annual Premium

In lieu of section 7(c) of the Basic Provisions, the annual premium amount is determined by multiplying the amount of protection, times the premium rate, times any premium adjustment percentage that may apply.

5. Contract Changes

The contract change date is November 30 preceding the cancellation date (see section 4 of the Basic Provisions).

6. Life of Policy, Cancellation and Termination Dates, and Eligibility

(a) In addition to section 2(a) of the Basic Provisions, these crop provisions are effective beginning the 2000 crop year.

(b) In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are February 28.

(c) Land designated in the actuarial documents as high risk land is not insurable under this policy. You may elect to insure the high risk land under a Catastrophic Risk Protection Endorsement to the MPCI Policy. If both policies are in force, the acreage of the crop covered under the Income Protection Policy will be considered as a separate crop for insurance purposes, including the payment of administrative fees.

7. Insured Crop

In accordance with section 8 of the Basic Provisions, the crop insured will be all the cotton lint for which premium rates are provided by the actuarial documents:

(a) In which you have a share;

(b) That is adapted to the area based on days to maturity and is compatible with agronomic and weather conditions in the area; and

(c) That is not (unless allowed by the Special Provisions):

  (1) Colored cotton lint;

  (2) Planted into an established grass or legume;

  (3) Interplanted with another spring planted crop;

  (4) Grown on acreage from which a hay crop was harvested in the same calendar year unless the acreage is irrigated; or

  (5) Grown on acreage on which a small grain crop reached the heading stage in the same calendar year unless the acreage is irrigated or adequate measures are taken to terminate the small grain crop prior to heading and less than 50 percent of the small grain plants reach the heading stage.

8. Insurable Acreage

In addition to the provisions of section 9 of the Basic Provisions:

(a) The acreage insured will be only the land occupied by the rows of cotton when a skip row planting pattern is utilized; and

(b) Any acreage of the insured cotton damaged before the final planting date, to the extent that the remaining stand will not produce at least 90 percent of the production amount, must be replanted unless we agree that it is not practical to replant.

9. Insurance Period

(a) In lieu of section 11 of the Basic Provisions, insurance will end upon the removal of the cotton from the field.

(b) In accordance with the provisions under section 11 of the Basic Provisions, the calendar date for the end of the insurance period is December 31 immediately following planting.

10. Causes of Loss

In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against a decline in the amount of income due to the following causes of loss which occur within the insurance period:

(a) A decline in the harvest price below the projected price;

(b) Adverse weather conditions;

(c) Fire;

(d) Insects, but not damage due to insufficient or improper application of pest control measures;

(e) Plant disease, but not damage due to insufficient or improper application of disease control measures;

(f) Wildlife;

(g) Earthquake;

(h) Volcanic eruption; or

(i) Failure of the irrigation water supply, if applicable, due to an insurable cause of loss specified in section 10(a) through (h) occurring within the insurance period.

11. Duties in the Event of Damage or Loss

In addition to your duties under section 14 of the Basic Provisions, in the event of damage or loss:

(a) The cotton stalks must remain intact for our inspection; and

(b) If you initially discover damage to the insured cotton within 15 days of harvest, or during harvest, you must leave representative samples of the unharvested crop in the field for our inspection. The samples must be at least 10 feet wide and extend the entire length of each field, and must not be harvested or the stalks destroyed until the earlier of our inspection or 15 days after harvest is completed.

(c) If the production to count multiplied by the harvest price is less than the amount of protection, you must notify us within 45 days after the date the harvest price is published.

12. Settlement of Claim

(a) In the event of loss or damage covered by this policy, we will settle your claim by:

  (1) Multiplying the total production to count (see section 12(b)) times the harvest price, by

    (i) For other than catastrophic risk protection coverage, one hundred percent, or

    (ii) For catastrophic risk protection coverage, fifty-five percent; and

  (2) Subtracting the result of section 12(a)(1) from the amount of protection.

  If the result of section 12(a)(2) is greater than zero, an indemnity will be paid to you. If the result of section 12(a)(2) is less than zero, no indemnity will be due.

(b) The total production in pounds to count from all insurable acreage will include your share of:

  (1) All appraised production as follows:

    (i) Not less than the production amount for acreage:

      (A) That is abandoned;

      (B) Put to another use without our consent;

      (C) Damaged solely by uninsured causes;

      (D) For which you fail to provide records of production that are acceptable to us; or

(E) On which the cotton stalks are destroyed, in violation of section 11;

(ii) Production lost due to uninsured causes;

(iii) Unharvested production (mature unharvested production of white cotton may be adjusted for quality deficiencies in accordance with section 12(c)); and

(iv) Potential production on insured acreage you want to put to another use or you wish to abandon or no longer care for, if you and we agree on the appraised production to count. Upon such agreement, the insurance period for that acreage will end if you put the acreage to another use or abandon the crop. If agreement on the appraised production to count is not reached:

(A) If you do not elect to continue to care for the crop we may give you consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us (The production to count for such acreage will be based on the harvested production or appraisals from the samples at the time harvest should have occurred. If you do not leave the required samples intact, or you fail to provide sufficient care for the samples, our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the production to count); or

(B) If you elect to continue to care for the crop, we will reappraise the acreage if additional damage occurs and the crop is not harvested; and

(2) All harvested production from the insurable acreage, including any mature cotton retrieved from the ground.

(c) Mature white cotton may be adjusted for quality when production has been damaged by insured causes. Such production to count will be reduced if the price quotation for cotton of like quality (price quotation "A") for the applicable growth area is less than 75 percent of price quotation "B." Price quotation "B" is defined as the price quotation for the applicable growth area for cotton of the color and leaf grade, staple length, and micronaire reading designated in the Special Provisions for this purpose. Price quotations "A" and "B" will be the price quotations contained in the Daily Spot Cotton Quotations published by the USDA Agricultural Marketing Service on the date the last bale is classed. If the date the last bale classed is not available, the price quotations will be determined on the date the last bale is delivered to the warehouse, as shown on the producer's account summary obtained from the gin. If eligible for adjustment, the production to count will be determined by multiplying the number of pounds of such production by the factor derived from dividing price quotation "A" by 75 percent of price quotation "B."

(d) Colored cotton lint will not be eligible for quality adjustment.

13. Late Planting

In lieu of Section 16 of the Basic Provisions:

(a) The production amount for each acre planted to the insured crop during the late planting period will be reduced by 1 percent per day for each day planted after the final planting date.

(b) Acreage planted after the late planting period may be insured as follows:

(1) The production amount for each acre planted as specified in this subsection will be determined by multiplying the production amount that is provided for acreage of the insured cotton crop that is timely planted by your prevented planting coverage level percentage (50.0 percent unless you elected a higher prevented planting coverage level percentage specified in the actuarial documents);

(2) Planting on such acreage must have been prevented by the final planting date (or during the late planting period, if applicable) by an insurable cause occurring within the insurance period for prevented planting coverage; and

(3) All production from acreage as specified in this section will be included as production to count for the unit.

(c) The premium amount for insurable acreage specified in this section will be the same as that for timely planted acreage. If the amount of premium you are required to pay (gross premium less our subsidy) for such acreage exceeds the liability, coverage for those acres will not be provided (no premium will be due and no indemnity will be paid).

(d) Any acreage on which an insured cause of loss is a material factor in preventing completion of planting, as specified in the definition of "planted acreage" (e.g., seed is broadcast on the soil surface but cannot be incorporated), will be considered as acreage planted after the final planting date and the production amount will be calculated in accordance with section 13(b)(1).

14. Prevented Planting

(a) In lieu of sections 17(f)(10), 17(f)(11) and 17(f)(12) of the Basic Provisions, regardless of the number of eligible acres determined in section 17(e) of the Basic Provisions, prevented planting coverage will not be provided for any acreage:

(1) For which you cannot provide proof that you had the inputs available to plant and produce a crop with the expectation of at least

producing the yield used to determine the production amount (Evidence that you have previously planted the crop on the unit will be considered adequate proof unless your planting practices or rotational requirements show that the acreage would have remained fallow or been planted to another crop);

(2) Based on an irrigated practice production amount unless adequate irrigation facilities were in place to carry out an irrigated practice on the acreage prior to the insured cause of loss that prevented you from planting. Acreage with an irrigated practice production amount will be limited to the number of acres allowed for that practice under sections 17(e) and (f) of the Basic Provisions and section 14(a) of these crop provisions; or

(3) Based on a crop type that you did not plant, or did not receive a prevented planting insurance guarantee or production amount for, in at least one of the four most recent crop years. Types for which separate projected prices or production amounts are available must be included in your APH database in at least one of the most recent four crop years. We will limit prevented planting payments based on a specific crop type to the number of acres allowed for that crop type as specified in sections 17(e) and (f) of the Basic Provisions

(b) In lieu of section 17(i) of the Basic Provisions the prevented planting payment for any eligible acreage within a unit will be determined by:

(1) Multiplying the production amount per acre for timely planted acreage (your approved yield per acre without adjustment for skip-row planting patterns) by 50 percent (If you have limited or additional levels of coverage and pay an additional premium, you may increase your prevented planting coverage to a level specified in the actuarial documents);

(2) Multiplying the result of section 14(b)(1) by the number of eligible prevented acres in the unit; and

(3) Multiplying the result of section 14(b)(2) by your share.

15. Catastrophic Risk Protection Coverage

(a) The Catastrophic Risk Protection Endorsement is not applicable. The following provisions in this section are applicable if you have elected the catastrophic risk protection plan of insurance for any insured acreage.

(b) For the 1999 and subsequent crop years, catastrophic risk amount of protection equals twenty-seven and one-half percent of your approved yield times 100 percent of the projected price times the net acres.

(c) Administrative Fees

(1) In lieu of section 4, you will not be responsible to pay a premium, nor will the policy be terminated because the premium has not been paid. FCIC will pay a premium subsidy equal to the premium established for this catastrophic risk protection coverage.

(2) In return for catastrophic risk protection coverage, you must pay an administrative fee to us within 30 days after you have been billed (you will be billed by the billing date stated in the Special Provisions);

(i) The administrative fee for each crop in the county is $60.

(ii) Payment of an administrative fee will not be required if you file a bona fide zero acreage report on or before the acreage reporting date for the crop (If you falsely file a zero acreage report you may be subject to criminal and administrative sanctions).

(3) The administrative fee does not apply if it is determined that you meet the definition of a limited resource farmer. If you qualify as a limited resource farmer and desire to be exempted from paying the administrative fee, you must sign the waiver at the time of application (on or before the sales closing date).

(4) If the administrative fee is not paid when due, you, and all persons with an insurable interest in the crop under the same contract, may be ineligible for certain other USDA program benefits as set out in section 15(e), and all such benefits already received for the crop year must be refunded.

(d) Multiple Benefits

If you are eligible to receive an indemnity under this section and benefits compensating you for the same loss under any other USDA program, you must elect the program from which you wish to receive benefits. Only one payment or program benefit is allowed. However, if other USDA program benefits are not available until after you filed a claim for indemnity, you may refund the total amount of the indemnity and then receive the other program benefit. Notwithstanding the first sentence of this subsection, farm ownership, operating, and emergency loans may be obtained from the USDA in addition to crop insurance indemnities.

(e) Eligibility for Other USDA Program Benefits

You must obtain at least catastrophic risk protection coverage for each crop of economic significance in the county in which you have an insurable share, if insurance is available in the county for the crop, unless you provide a signed waiver of any eligibility for emergency crop loss assistance in connection with the crop. If you do not obtain catastrophic risk protection coverage or sign the waiver, you will not be eligible for:

(1) Benefits under the Agricultural Market Transition Act;

(2) Loans or any other USDA provided farm

credit, including guaranteed and direct farm ownership loans, operating loans, and emergency loans under the Consolidated Farm and Rural Development Act provided after October 13, 1994; and

(3) Benefits under the conservation reserve program derived from any new or amended application or contracts executed after October 13, 1994.

(f) Failure to comply with all provisions of the policy constitutes a breach of contract and may result in ineligibility for the farm program benefits stated in subsection 15(e) for that crop year and any benefit already received must be refunded.

16. Written Agreement

The written agreement provisions of the Basic Provisions are not applicable.