

**COMMODITY EXCHANGE PRICE PROVISIONS (CEPP)**

**2016 AND SUCCEEDING CROP YEARS**

**Section I: General Information**

*The CEPP applies only to crops for which revenue protection (including area revenue protection) and yield protection (including area yield protection) are available. See Section II, by crop specification, for price definitions.*

1. Definitions

**Average Daily Settlement Price** – The sum of all daily settlement prices divided by the total number of daily settlement prices included in the sum. All daily settlement prices during the price discovery period for the contract specified in the applicable crop’s projected price or harvest price definition will be included in the sum, provided the threshold requirements, as defined below, are met. If the threshold requirements are not met for the specified contract, see the terms under the substitute average daily settlement price definition. If the threshold requirements are not met under the terms of the substitute average daily settlement price definition, the applicable projected price and harvest price will be established in accordance with I.2(c), I.2(e)(1), or I.2(f).

**CBOT** – Chicago Board of Trade.

**CME** – Chicago Mercantile Exchange.

**Daily Settlement Price** – A price established in accordance with the CEPP which is available for the crop at the end of a trading day.

**Full Active Trading Day** – For all exchanges **except** the Portland Merchants Exchange, any trading day on which a minimum of 1 open interest contract for the

relevant futures contract is available at the close of trading. For the Portland Merchants Exchange, there is **no** open interest requirement.

**Harvest Price** – See the definition in section II.

**Harvest Year** – The calendar year in which the crop is normally harvested.

**ICE** – InterContinentalExchange.

**KCBT** – Kansas City Board of Trade.

**MGE** – Minneapolis Grain Exchange.

**NASS** – The National Agricultural Statistics Service, an agency within USDA.

**Projected Price** – See the definition in section II.

**Substitute Average Daily Settlement Price** – An average daily settlement price used when the threshold requirements for the contract specified in the applicable crop’s projected or harvest price definition are not met. The substitute average daily settlement price is generally obtained from the contract immediately prior to the contract specified in the applicable insured crop’s projected price or harvest price definition, or another contract as determined by RMA. It must represent the same crop year as the insured crop. Threshold requirements must be met for the substitute average daily settlement price. If threshold requirements are not met, the applicable projected price and harvest price will be established in accordance with I.2(c), I.2(e)(1), or I.2(f).

**Threshold Requirements** – The minimum number of full active trading day(s) and the minimum trading volume that must occur during the price discovery period for the contract specified in the applicable crop’s projected price or harvest price definition for revenue protection coverage to be offered. There must be one full

active trading day during the price discovery period. The contract must also trade at least once during the discovery period, i.e., there must be one trading day with a volume of at least one.

**USDA** – United States Department of Agriculture.

## 2. Price Determinations

(a) In accordance with either section 1 of the Common Crop Insurance Policy Basic Provisions or section 1 of the Area Risk Protection Insurance Basic Provisions, these Commodity Exchange Price Provisions specify how and when the projected price and harvest price will be determined by crop.

(1) These provisions are a part of the policy **for all crops for which revenue protection is available**, regardless of whether the producer elects revenue protection or yield protection for such crops.

(2) This document includes the information necessary to derive the projected price and the harvest price for the insured crop, as applicable.

(b) The CEPP will be used to determine:

(1) The projected price and harvest price for insured crops for which revenue protection is selected; or

(2) The projected price for insured crops for which yield protection is selected.

(c) RMA reserves the right to omit any daily settlement price or substitute daily settlement price used to compute the average daily settlement price or substitute average daily settlement price if market conditions are different than those used to rate or price revenue protection.

(d) RMA reserves the right to set the projected price for yield protection.

- (e) If the projected price cannot be calculated by the procedures outlined in these Commodity Exchange Price Provisions:
- (1) No revenue protection will be available;
  - (2) If revenue protection is not available, notice will be provided on RMA's Web site at <http://www.rma.usda.gov/> by the date specified in the applicable projected price definition;
  - (3) Yield protection will continue to be available; and
  - (4) The projected price for yield protection will be determined by RMA and released by the date specified in the applicable projected price definition in the CEPP.
- (f) If the harvest price cannot be calculated by the procedures outlined in this CEPP, the harvest price will be determined by RMA.
- (g) The harvest price will not be greater than the projected price multiplied by 2.00.
- (h) Projected prices, harvest prices and associated factors and adjustments for all crops, except the corn silage type, can be found at <http://www.rma.usda.gov/tools/pricediscovery.html>. The methods used for calculating the factors and adjustments can be found at <http://www.rma.usda.gov/pubs/>.
- (i) In counties with a fall sales closing date for which insurance is provided on both the spring and fall/winter types, the projected price for spring types will be released after the fall sales closing date at the time specified in the applicable definition of projected price.

- (j) For each insurance offer, if the actuarial documents specify that contract pricing is available, and procedures for establishing contract pricing are not specified in the crop provisions or special provisions, the Contract Price Addendum (CPA), found at <http://www.rma.usda.gov>, outlines the procedures for using a contract price to determine your projected price and, if applicable, harvest price.
- (k) For revenue protection coverage to be offered, implied volatilities must be available for the option contract corresponding to the futures contract specified in the applicable crop's projected price or harvest price definition. The implied volatility requirements are specified in the volatility factor calculation methodology paper, which is found at <http://www.rma.usda.gov/pubs/>.