

yield, or unadjusted transitional yield that is approved by your verifier.

Base Price—The price that determines the minimum guarantee and premium is based on the December New York Cotton Exchange (NYCE) futures contracts average daily settlement price during the period of January 15 - February 14 of the year the crop is planted.

Harvest Price—The price used to calculate revenue and harvest guarantee is based on the December NYCE futures average daily settlement price during November of the year the crop is planted.

Minimum Guarantee—Approved average yield x base price x coverage level.

Harvest Guarantee—Approved average yield x harvest price x coverage level.

Final Guarantee—The **higher of** the minimum or the harvest guarantee. (Note: Your premium will not increase if final guarantee is higher than the minimum guarantee.)

Calculated Revenue—Value of your production calculated as pounds produced x harvest price.

Indemnity—final guarantee - calculated revenue.

Price Elections—Price election for base price and harvest price are posted on the RMA Web site at:

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

Insurance Units

Your insurable acreage is grouped into a unit based on one of the following unit arrangements:

Basic Units: A basic insurance unit includes all of your insurable cotton acreage in the county in which you have 100-percent share and includes any cash-rented land. If you also grew cotton on shares with another entity, that acreage would be a separate basic unit. Premiums are reduced 10-percent if you insure under basic units.

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 insurable cotton in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A premium discount will apply, based upon the number of insured acres. To qualify for an enterprise unit, the unit must contain 50 or more acres and be eligible for two or more basic or optional units.

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 85 percent of your average yield. Crop insurance premiums are subsidized as shown in the following table. For example, if you select the 75-percent coverage level, your premium share would be 45 percent of the base premium.

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. There is, however, an administrative fee of \$100 per county, regardless of the acreage.

Loss Example

This example assumes an average yield of 800 pounds per acre, a base price of \$.60, a harvest price of \$.49, 200 pounds per acre production-to-count, and 65-percent coverage level.

$$\begin{array}{r}
 800 \text{ Pounds per acre approved average yield} \\
 \times .65 \text{ Coverage level} \\
 \hline
 520 \text{ Pounds per acre guarantee basis} \\
 \times .60 \text{ Base price per pound} \\
 \hline
 \$ 312 \text{ Minimum guarantee per acre}
 \end{array}$$

If harvest price is less than base price, harvest guarantee does not enter indemnity calculation

$$\begin{array}{r}
 \$ 312 \text{ Final guarantee per acre} \\
 \text{(greater of minimum or harvest guarantee)} \\
 - \$ 98 \text{ Calculated revenue} \\
 \text{(200 pounds per acre produced x $.49 harvest price)} \\
 \hline
 \$ 214 \text{ Indemnity per acre}
 \end{array}$$

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