United States Department of Agriculture
Risk Management Agency

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2008 COMMODITY INSURANCE FACT SHEET

Cotton-Crop Revenue Coverage

Virginia

Crop Revenue Coverage (CRC) provides revenue protection against a decline in market prices as well as a shortfall in production. Under CRC, the guarantee is in dollars. A loss situation arises when the dollar value of your production falls below the final dollar guarantee. CRC provides protection whether prices are rising or falling:

- In a year of rising prices, production shortfalls are compensated at the higher market-based harvest price. This is important if any lost production must be replaced at higher market prices to fulfill delivery on a forward contract;
- In years of falling prices, your minimum guarantee ensures that you will receive a pre-determined amount of income per acre, regardless of yields or prices.

Causes of Loss

CRC provides protection against unavoidable loss of revenue due to the following causes in the insurance period:

Adverse weather conditions[1]
Failure of irrigation water supply[2]
Fire
Harvest price less than base price
Insects[3]
Plant disease[3]
Wildlife

[1]Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. [2]If caused by an insured peril. [3]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, 2008.

Important Dates

Sales Closing	March 15, 2008
Final Planting Date	May 15, 2008
Acreage Report Due	June 30, 2008

Definitions

Coverage Level— Levels of protection available are from 50 to 85 percent of approved average yield

Base Price—The price used to calculate the Minimum Guarantee and the premium is based on the December New York Cotton Exchange (NYCE) futures average daily price during the period January 15—February 14 of the year the crop is planted.

Minimum Guarantee—The guaranteed minimum dollar protection is the average yield X base price X coverage level percent:

> Example: 800 pounds per acre X $.60 X 75 percent = $360 per acre minimum guarantee

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

Harvest Guarantee—Average yield X harvest price X coverage level percent:

> Example: 800 pounds per acre produced X $.50 X 75 percent = $300 per acre harvest guarantee

Calculated Revenue—Value of your actual production determined by pounds produced X harvest price:

> Example: 200 pounds per acre produced X $.50 = $100 per acre calculated revenue

Note: The actual price you receive for selling your crop is **not** a factor in CRC calculations.

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.

Final Guarantee— Higher of the minimum or harvest guarantee.

> Note: Your premium will **not** increase if final guarantee is higher than the minimum guarantee.

Indemnity—Final guarantee − calculated revenue

> Example: $360 – $100 = $260 indemnity

Price Elections

Year	State	Base Price*	Harvest Price**
2008	NC & VA	NA	NA
2007	NC & VA	.59	.62
2006	NC & VA	.60	.49

* Published on or after February 15 of the crop year.
** Published on or after December 1 of the crop year.
NA-Not available at this time.

Price elections will be 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 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.

Loss Example

This example assumes average yield of 800 pounds per acre, base price of $.60, harvest price of $.50, 200 pounds per acre production-to-count, and 65-percent coverage level.

800	Pounds per acre approved yield
x .65	Coverage level
520	Pounds per acre guarantee basis
x .60	Base price per pound
$312	Minimum guarantee per acre

If harvest price is $.50 per lb, then the harvest guarantee would be $260
(520 pounds per acre X $.50 = $260 per acre)

$312	Final guarantee per acre (greater of minimum or harvest guarantee)
– 100	Calculated revenue (200 pounds per acre produced X $.50 harvest price)
212	Indemnity per acre
– 9	Approximate cost per acre
$203	**Net indemnity per acre**

Note: In most years, the harvest price is less than the base price so that the harvest guarantee will also usually be less than the minimum guarantee. Sometimes the harvest price may exceed the base price, resulting in the harvest guarantee becoming the final guarantee.

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