United States Department of Agriculture
Risk Management Agency

January 2008

2008 COMMODITY INSURANCE FACT SHEET

Cotton/RA Plan

Arkansas and Louisiana

Revenue Assurance (RA) Protection

RA provides coverage to protect against loss of revenue caused by low price or low yields or a combination of both.

Counties Available

The RA program is available for cotton in all counties and parishes in Arkansas and Louisiana where a cotton actual production history (APH) program is available.

RA Sales Closing

The sales closing date is February 28. This is the final date to apply for an RA policy.

Units

Basic Unit – by crop, county and share.
Optional Unit – Basic units divided by FSA Farm Serial Number, organic and irrigated/non-irrigated practices– if production records are kept separate.
Enterprise Unit – All insurable cotton in the county, in which you have a share on the date coverage begins. Premium discounts apply to Enterprise units.
Whole Farm Unit – All insurable RA spring crops in the county for which you have a share on the date coverage begins. Whole farm unit does not extend to winter wheat. Premium discounts apply to whole farm units.

Coverage Levels and Premium Subsidies

The insured selects a coverage level between 65 and 85 percent calculated in 5-percent increments. (For basic and optional units, 80 and 85 percent is not available.)
Premium Subsidies: Vary based on coverage level.

RA Guarantee

Revenue guarantee equals the per acre revenue guarantee, times the number of insurable acres in the unit, times the producer's share. **Note:** Procedures used to calculate revenue guarantees vary by selected unit structure.

Definitions

Per-acre Revenue Guarantee - The per-acre revenue guarantee is the coverage level percent times the approved yield times the applicable cotton yield conversion factor for non-irrigated skip row planting patterns times the projected harvest price. If you choose the fall harvest price option, the per-acre revenue guarantee equals the coverage level percent times the approved yield times the applicable cotton yield conversion factor for non-irrigated skip row planting patterns times the greater of the projected harvest price or the fall harvest price.
Projected Harvest Price - The price used to determine the expected per-acre revenue and calculate premium. For cotton, the projected harvest price is the January 15 to February 14 harvest year's average daily settlement price per pound for the New York Cotton Exchange December cotton futures contract rounded to the nearest whole cent. The projected harvest price will be released by February 20 of the harvest year.
Fall Harvest Price Option - A coverage option that allows an insured to use the greater of the fall harvest price or the projected harvest price to determine their revenue guarantee. This option must be selected by the sales closing date and is continuous unless canceled by the sales closing date.
Fall Harvest Price - The price used to value production to count. For cotton the fall harvest price is the simple average of the final daily settlement prices in November for the harvest year's New York Cotton Exchange December cotton futures rounded to the nearest whole cent. The fall harvest price for cotton will be released on or before December 10.

How are RA Indemnities Triggered?

RA indemnities will be paid if the production to count times the fall harvest price is less than the unit guarantee.

How Are RA Harvest Revenues Measured?

Harvest revenue equals all of the production to count times the fall harvest price.

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