



United States Department of Agriculture  
Risk Management Agency

January 2007

## 2007 COMMODITY INSURANCE FACT SHEET

# Cotton GRP

## Texas

### Insurance Plan

The group risk plan (GRP) of insurance is designed as a risk management tool to insure against widespread loss of production of the insured crop in a county. GRP is a dramatic departure from traditional approaches to crop insurance protection, with less paperwork and generally less cost than multiple peril crop insurance (MPCI). This policy was developed on the basis that, when an entire county's crop yield is low, most farmers in that county would also have low yields.

### Crop Insured

The crop insured will be all the **upland cotton** you have in the county in which you have a share and planted with intent to be harvested.

### GRP Benefits:

- GRP offers catastrophic protection and may cost less than MPCI.
- GRP provides a simplified plan to manage risk because the only information a producer needs to provide is the number of acres intended for harvest by the acreage reporting date.
- Producers do not have to provide production history or evidence of loss because payments are made on losses based on the county expected yield.

### GRP Limitations:

- It is possible for a producer to have a low yield on the acreage insured and still not receive a payment under this plan.
- Lenders may not accept GRP coverage as collateral

### Important Dates

Dates vary from county to county in Texas; consult the county actuarial.

### Counties Available

Andrews	Bailey	Borden	Briscoe
Cameron	Castro	Childress	Cochran
Collingsworth	Concho	Cottle	Crosby
Dawson	Deaf Smith	Dickens	Donley
Ellis	Falls	Fisher	Floyd
Foard	Ft. Bend	Gaines	Garza
Glasscock	Hale	Hall	Haskell
Hidalgo	Hill	Hockley	Howard
Jackson	Jim Wells	Jones	Kleberg
Knox	Lamb	Lubbock	Lynn
Martin	Matagorda	Midland	Milam
Mitchell	Motley	Navarro	Nolan
Nueces	Parmer	Refugio	Robertson
Runnels	San Patricio	Scurry	Swisher
Taylor	Terry	Tom Green	Wharton
Wilbarger	Willacy	Williamson	Yoakum

### Definitions

**Expected County Yield** - The yield contained in the actuarial documents, on which your coverage for the crop year is based. This yield is determined using historical National Agricultural Statistics Service (NASS) county average yields, as adjusted by the Federal Crop Insurance Corporation (FCIC).

**Trigger Yield** - The result of multiplying the expected county yield by the coverage level percentage chosen by you. When the payment yield falls below the trigger yield, an indemnity is due.

**Payment Yield** - The yield determined by FCIC based on NASS yields for each insurable crop's type and practice, as adjusted by FCIC, and used to determine whether an indemnity will be due.

**Maximum Protection Per Acre** - The highest dollar amount of protection specified in the actuarial documents.

**Dollar Amount of Protection Per Acre** - The percentage of coverage selected by you multiplied by the maximum protection per acre specified in the actuarial documents for the crop, practice, and type. The dollar amount of protection per acre is shown on your summary of protection.

### Coverage Levels and Premium Subsidies

**Catastrophic Coverage (CAT)** - 65 percent of the expected county yield and 45 percent of the maximum protection per acre.

**Additional Coverage** An amount of protection greater than or equal to 70 percent of the expected county yield indemnified at 60 percent of the maximum amount of protection

### Premium and Administrative Fees

These fees are charged in addition to the insurance premium. USDA subsidizes the insurance premium. Catastrophic (CAT) coverage: \$100/crop/county. (No insurance premium is charged for CAT coverage.) Additional coverage: \$30/crop/county.

### Loss Example

Based on expected county yield of 400 pounds per acre, 90-percent trigger yield, and \$300 protection per acre.

\*Figures shown on a per acre basis.

400	Pounds per acre expected county yield
<u>x 90%</u>	Coverage level selected
360	Pounds per acre trigger yield
<u>300</u>	Pounds per acre payment yield for the year
60	Pounds per acre deficiency
60	Divided by 360 = 0.167 payment factor
0.167	x \$300 protection = \$50.10 gross indemnity per acre*
<u>-\$5.00</u>	Premium per acre (varies by county)
\$45.10	<b>Net indemnity per acre</b>

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