

**EVALUATION OF CROP INSURANCE CHOICES FOR COTTON PRODUCERS IN TEXAS HIGH PLAINS
UNDER THE 2014 FARM BILL BY CONSTRUCTING REPRESENTATIVE COTTON FARM**

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Abstract

New crop insurance coverage offered by the 2014 Farm Bill will be available to farmers beginning in 2015. Stacked Income Protection Plan (STAX) and Supplemental Coverage Option (SCO) are new crop insurance options, which are designed to protect farmers from shallow losses. STAX is only available for upland cotton producers, while SCO is available for all major farm program crops.

The objective of this project is to assess the benefits of the new crop insurance offerings for cotton producers in the Texas High Plains. Representative non-irrigated and mixed, irrigated and non-irrigated farms are being developed using consensus evaluations of panels of producers in two distinct areas of the High Plains. Our simulation analysis will examine producer welfare benefits of alternative combinations of underlying yield or revenue insurance coverage for STAX and SCO. The results suggest that Revenue Protection combined with STAX is the optimal insurance selection for both risk neutral and risk averse producers. The county yield will trigger the payment under STAX and SCO, so producers must understand their county yield to get higher benefit from it.