National Cotton Council OF AMERICA

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September 20, 2011

Director, Product Administration and Standards Division
Risk Management Agency
United States Department of Agriculture (USDA)
P.O. Box 419205
Kansas City, Missouri 64133-6205

Re: Proposed Rule; Area Risk Protection Insurance Regulations and Area Risk Protection Insurance Crop Provisions; RIN 0563-AC25; (July 22, 2011)

To Whom It May Concern:

The National Cotton Council of America (NCC) is the central organization of the U.S. cotton industry representing producers, ginners, warehousemen, merchants, cooperatives, textile manufacturers, and cottonseed handlers and merchandisers in 17 states stretching from California to the Carolinas. We hereby submit comments to the interim rule appearing at 76 F.R. 44200 concerning regulations governing area risk protection insurance provisions for the 2013 and succeeding crop years.

In general, the NCC is very supportive of the Federal Crop Insurance Corporation's (FCIC) efforts to expand the offering of area-wide insurance products covering revenue and yield losses. For some upland cotton producers, the area-wide policies will provide an important risk management tool for their farming operation. While the NCC supports the overall objective of the rule, we would like to raise specific questions and concerns for your consideration.

The NCC strongly urges that the new area-wide protection be available for all counties with upland cotton production. In Section II on page 44203, the rule lists specific dates concerning the establishment of projected and harvest prices for several cotton-producing states. However, it is noted that the list of states is not complete when compared to the Commodity Exchange Price Provisions (CEPP). The NCC questions whether or not this was an oversight in the table and assumes that the list of states does not indicate the states eligible for the area-wide products. To reiterate, the cotton industry stresses that the area-wide policy be offered across all cotton-producing counties. However, we also understand the need to protect the integrity of the program. For certain counties, it may be necessary to aggregate counties into a larger geographical area. In those cases, FCIC should aggregate by the minimum amount necessary in order to allow the area-wide program to remain as localized as possible.

The NCC agrees with FCIC's decision to broaden the sources of yield data beyond the estimates produced by USDA's National Agricultural Statistics Service (NASS). Under the existing Group Risk Income Protection (GRIP) and Group Risk Plan (GRP), county yield estimates proved to be unreliable and ultimately contributed to the discontinuation of those products in certain locations. FCIC's proposal to incorporate their own yield data, as well as other USDA sources, should enhance the accuracy and reliability of the yield estimates and ultimately the performance of the program. In the case of upland cotton, there are also data on cotton ginnings on a county-by-county basis that is collected by USDA's NASS. While the NCC encourages FCIC to explore the use of additional data, we also request that FCIC publish their methodology and sources for arriving at county yield estimates. It is important that there be sufficient transparency regarding any adjustments to the data or methods used to resolve discrepancies between various USDA data, as well as possibly other data sources.

As a final point regarding yield calculations, FCIC should review expected county yields with a goal of insuring that long-term trends produce expected counties yields that are indicative of current levels.

With the use of additional data sources, FCIC is encouraged to explore the ability to expand the number of counties for which separate area-wide products can be offered for irrigated and non-irrigated practices. Doing so would increase the applicability and risk management benefits of the program.

Currently, FCIC has the authority to offer area-wide policies at coverage levels up to 95%. However, to date, only 90% products are offered to producers. Given efforts outlined in this rule to enhance the reliability of the county yield estimates, the NCC urges FCIC to offer products at the 95% coverage level. The area-wide policy is structured in a manner that does not allow manipulation by the actions of an individual producer. It is our opinion that an area-wide policy at the 95% level could be accurately rated and would provide an appealing alternative for producers in high-yielding regions.

The cotton industry understands FCIC's proposal to lower the current GRIP multiplier from 1.50 down to 1.20, which will be referred to as the protection factor under the new area-wide product. We encourage FCIC to maintain the maximum protection factor at no lower than the proposed 1.20 set forth in rule. In addition, the NCC supports FCIC's introduction of the "total loss factor" for the county.

In closing, the NCC would like to reiterate our support for the expanded availability and proposed improvements of area-wide revenue and yield insurance products. Thank you for your consideration of our comments to this proposed rule.

Sincerely,

Charles H Parker

Charles Parker
Chairman
National Cotton Council