The Agricultural Act of 2014:
Update on STAX, SCO
& Farm Bill Implementation

Southwest Region
December 2014

2014 Farm Bill

- Fundamental changes in cotton's safety net
  - DP and CCP programs discontinued
- Greater reliance on crop insurance products
- Maintains marketing loan
- Across commodities, growers faced with new program choices
- Targeted for phase-in over '14 and '15 crops
- Unless otherwise noted, sequestration applies to FSA programs but not crop insurance

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2014 Cotton Transition Assistance

- New insurance products available in 2015
- Transition program for cotton for the 2014 crop
  - Equates to 5.4 cents/lb. on all 2013 base acres and DP yield;
- Subject to separate limit of $40k/legal entity
- Eligibility not affected by other program choices or planting decisions
- Payments occur on/after Oct 1, 2014

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Basic STAX Concept

Stacked Income Protection Plan

- STAX – new revenue insurance product available in 2015 for purchase on all acres planted to upland cotton; administered by USDA's RMA

- Indemnities triggered by revenue experience at county level (or combined counties if necessary for actuarially sound product); STAX indemnities **NOT** based on individual experience

- Offered by irrigated/non-irrigated practice to greatest extent possible

Basic STAX Concept

Individual Revenue

Deductible
Individual Coverage

County Revenue

Deductible
STAX
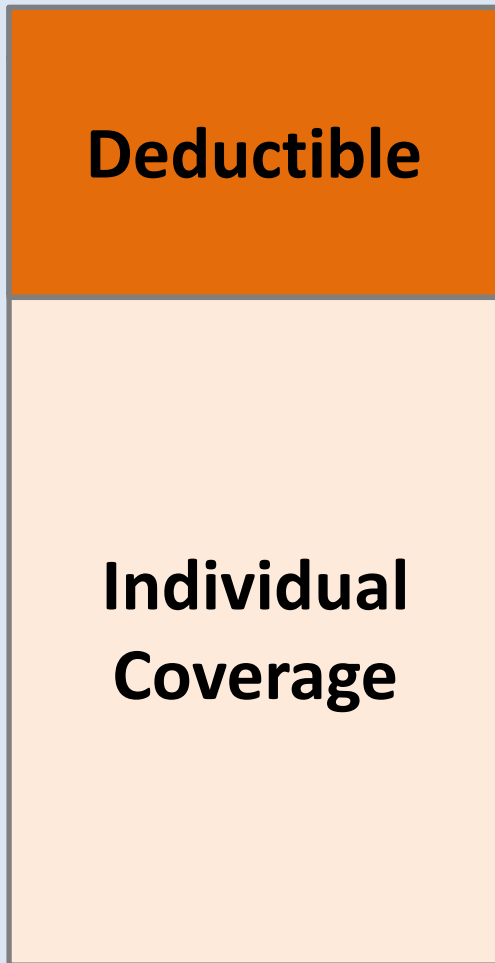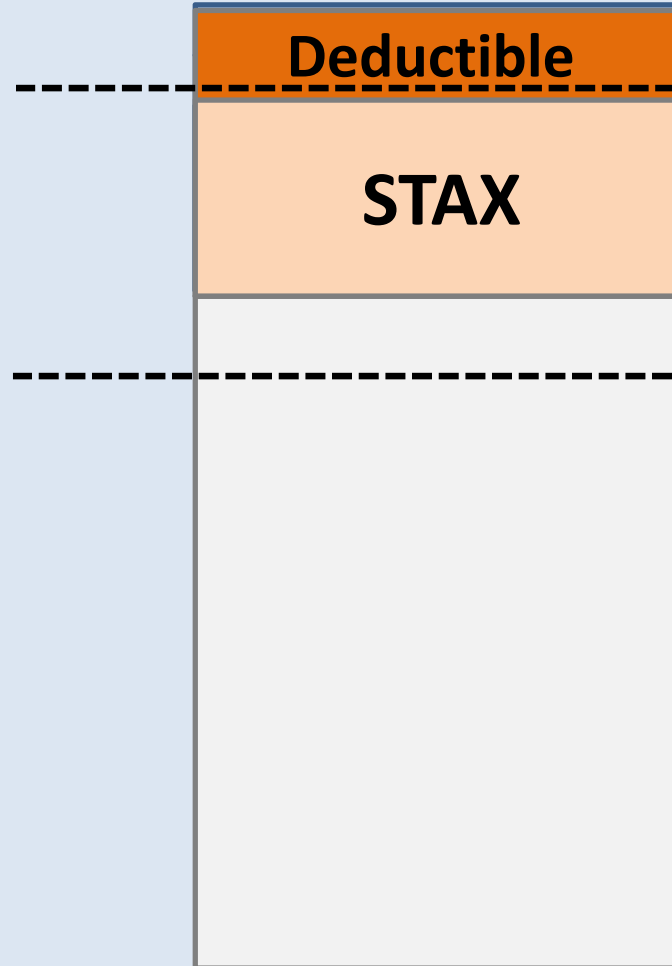
County Revenue > 90%, then no STAX indemnity

90%

70%
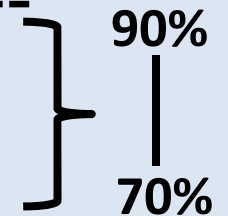
County Revenue at or below 70%, STAX indemnity at max

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Basic STAX Calculations

Description		Example
Expected County Revenue = Insurance Projected Price x Expected County Yield	Insurance Projected Price	$0.65
	Expected County Yield	1,000 lbs
	Expected County Revenue	$650
Actual County Revenue = Insurance Harvest Price x Actual County Yield	Insurance Harvest Price	$0.60
	Actual County Yield	850 lbs
	Actual County Revenue	$510
Indemnity is lesser of amount that 90% of Expected County Revenue exceeds Actual County Revenue or 20% of Expected County Revenue	90% of Exp. County Revenue	$585
	20% of Exp. County Revenue	$135
	Indemnity	$75

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STAX Availability

Availability of STAX

- STAX will be offered in all counties in which underlying cotton crop insurance products are offered – includes more than 700 counties

- Offer at a county-level to the greatest extent possible

- If county does not have enough acres & producers for actuarial soundness, then counties will be combined.

Stand-alone or Primary County

County has (by practice)
- ✓ 10+ years of history
- ✓ 10,000+ acres in past 5 years
- ✓ 20+ producers in past 5 years

- Actuarial offer will include yield history and final yield of only that county (by practice)

- Some room for judgment for counties that miss criteria by a small amount
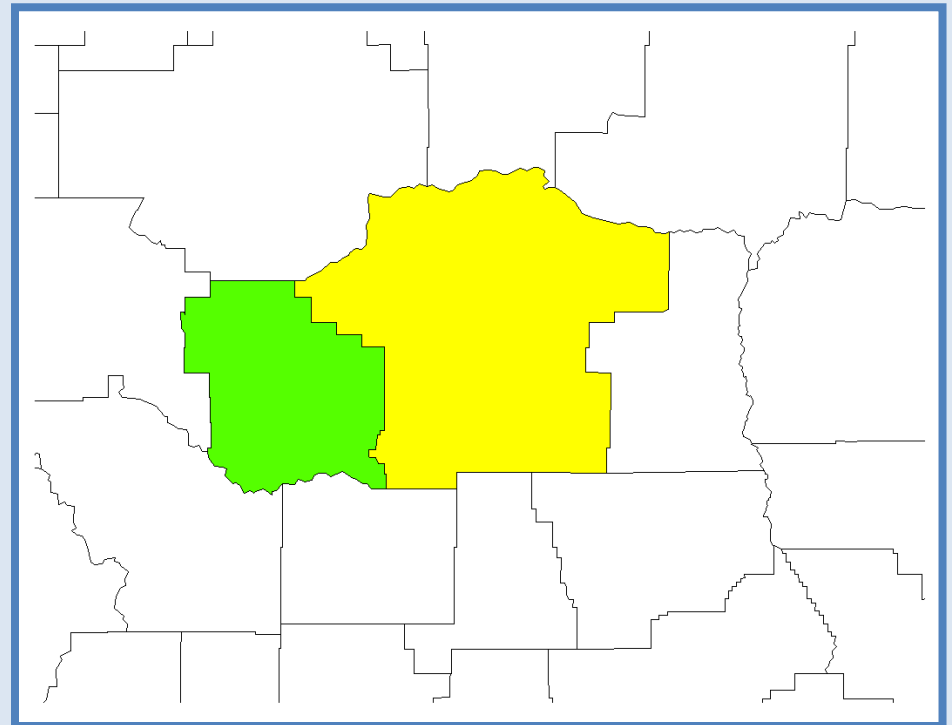
- Accounts for 80% of acres
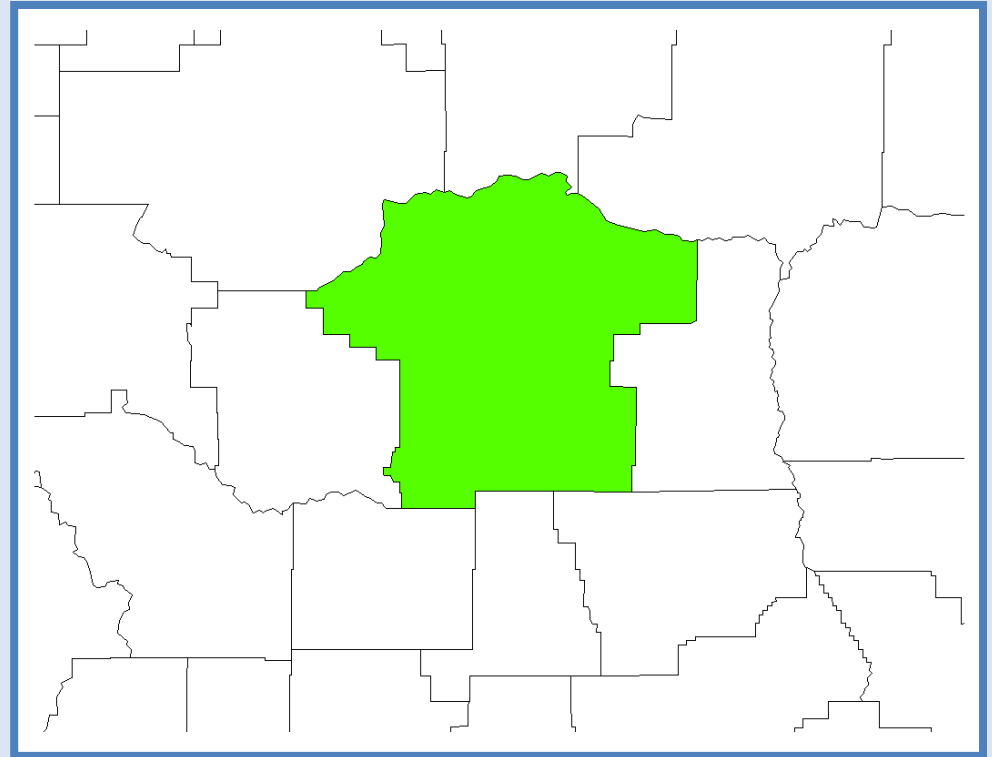
Two County Group (or Proxy County)

County missing one (+) criteria and:
- ✓ Is adjacent to a stand-alone

- Actuarial offer will include yield history and final yield of that county and the adjacent county
- If more than one adjacent county qualifies one is picked considering:
  - A. Yield correlation
  - B. Acreage of stand-alone county

Primary county continues to stand on its own.

Accounts for another 7-8% of acres.

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Circle Group

County missing criteria and:

- Is adjacent to a stand-alone
- ✓ Can meet criteria when combined with surrounding adjacent counties?

- Actuarial offer will include yield history and final yield of that county and all of the adjacent counties

- Covers another 7-8% of acres.
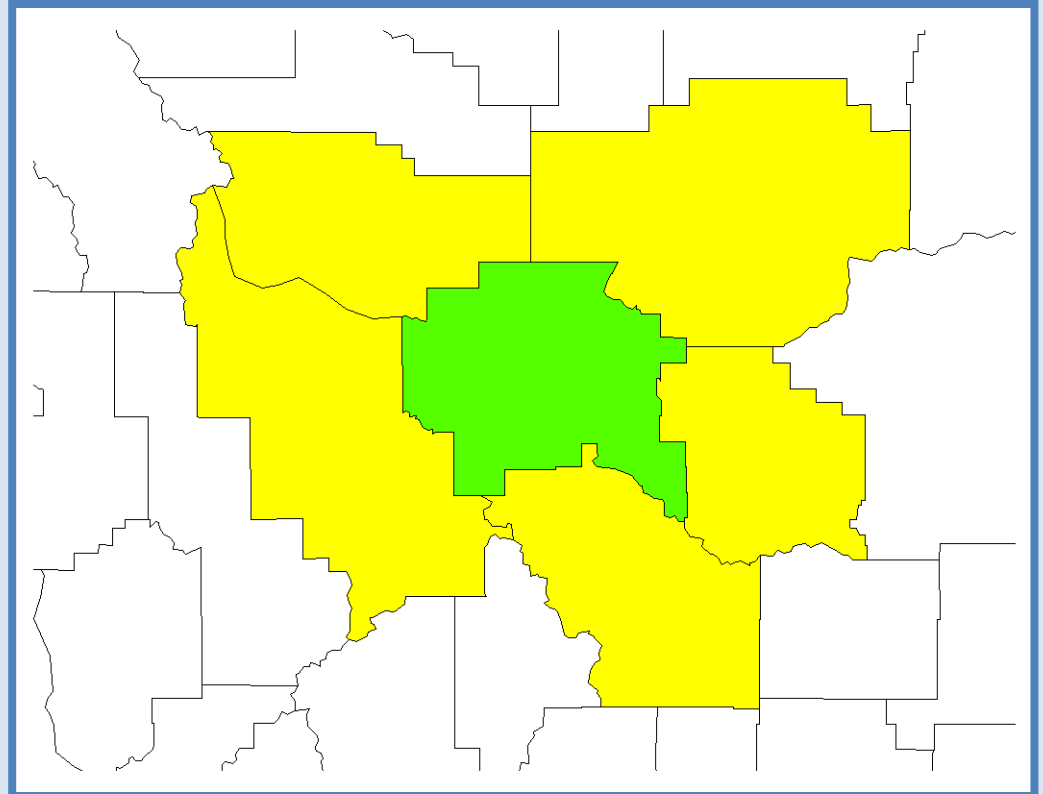
Double Circle and NASS District

County missing criteria and:

- Is adjacent to a stand-alone
- Can meet criteria when combined with adjacent counties

✓Can meet criteria when combined with counties at double circle or NASS crop reporting district level

- Actuarial offer will include yield history and final yield of that county and (the option with fewer acres):

   1. All of the adjacent counties and counties adjacent to them
   2. All counties in the NASS district
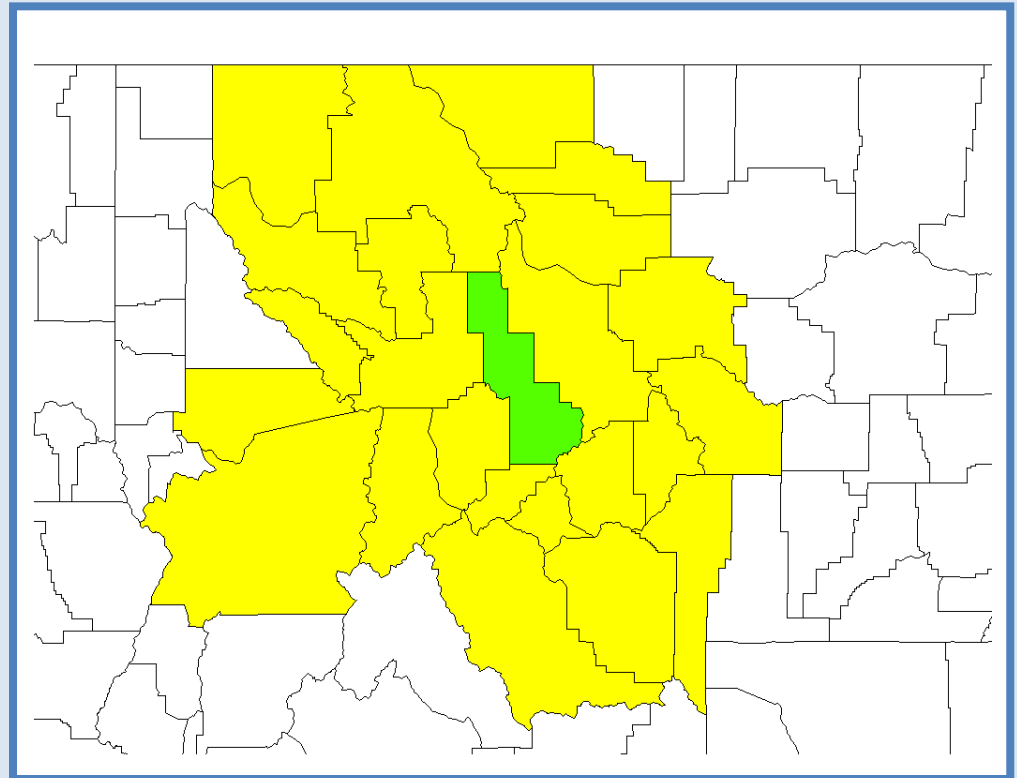
Outliers

Possible Group Options

A. Nearest stand-alone county
- Practice specific

B. Triple Circle

C. Non-irrigated practice in the county
- For irrigated practice only
- Yield variance of practices considered

D. Geographic grouping
- e.g. a series of counties that all have similar soil, climate, etc.

Finding Your Production Area

- RMA refers to the counties and county groupings as Production Areas

- Production Areas will be reevaluated periodically to determine if still appropriate

- Maps of Production Areas are posted at http://www.rma.usda.gov/news/currentissues/staxsco/

STAX Yields

STAX Expected & Actual Yields

- Expected & Actual Yields for STAX are based on crop insurance data
  - Allows for practice specific data in more areas
  - Enables aggregation into larger groups
- RMA yields for area plans are based on future projection of yields
  - Includes projection of yield trends (by practice)
  - Exceptional years (high or low) can be given less weight when calculating projected yield
- STAX Expected Yield may also be based on 5-yr Olympic average
  - Only if the Olympic average is higher than RMA's projected yield

Crop Insurance and NASS Data

Data reflect a sample county

Note that NASS published an aggregated yield for this county

RMA has published their historical yields

Available at http://www.cotton.org/econ/cropinfo/cropdata/rma-yield-data.cfm

Comparison of NASS County Yield and Crop Insurance Yield by Practice

— NASS County Yield
— Irrigated Yield (Crop Ins.)
— Non-Irrigated Yield (Crop Ins.)

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STAX Choices

STAX & Harvest Price Option

- As with existing revenue products, producers have choice to include or exclude the Harvest Price Option (HPO)

  – If the Harvest Price is above Projected Price, then HPO will indemnify yield losses at the higher harvest price

  – Overwhelmingly, purchases of individual revenue policies include HPO

- Choices are:

  – STAX – Revenue Protection or

  – STAX – Revenue Protection with Harvest Price Exclusion

STAX & Coverage Band

- The widest STAX coverage band is from 90% to 70%

- Both upper and lower end of the range are adjustable in 5% increments

- 10 coverage bands:
  - 90-70%, 90-75%, 90-80%, 90-85%
  - 85-70%, 85-75%, 85-80%
  - 80-70%, 80-75%
  - 75-70%

STAX & the Protection Factor

- Select Protection Factor
  - Feature in existing area-wide insurance products
  - Choose in 1 percentage point increments between 80% and 120%
  - Under a 90-70% STAX policy, the Protection Factor doesn't change when an indemnity is triggered, i.e. there must be a 10% loss in county revenue
  - But the Protection Factor will adjust any indemnity up or down by up to 20% based on selected factor
  - Increases liability and increases premium

Impact of Protection Factor

Assuming Expected County Revenue = $600
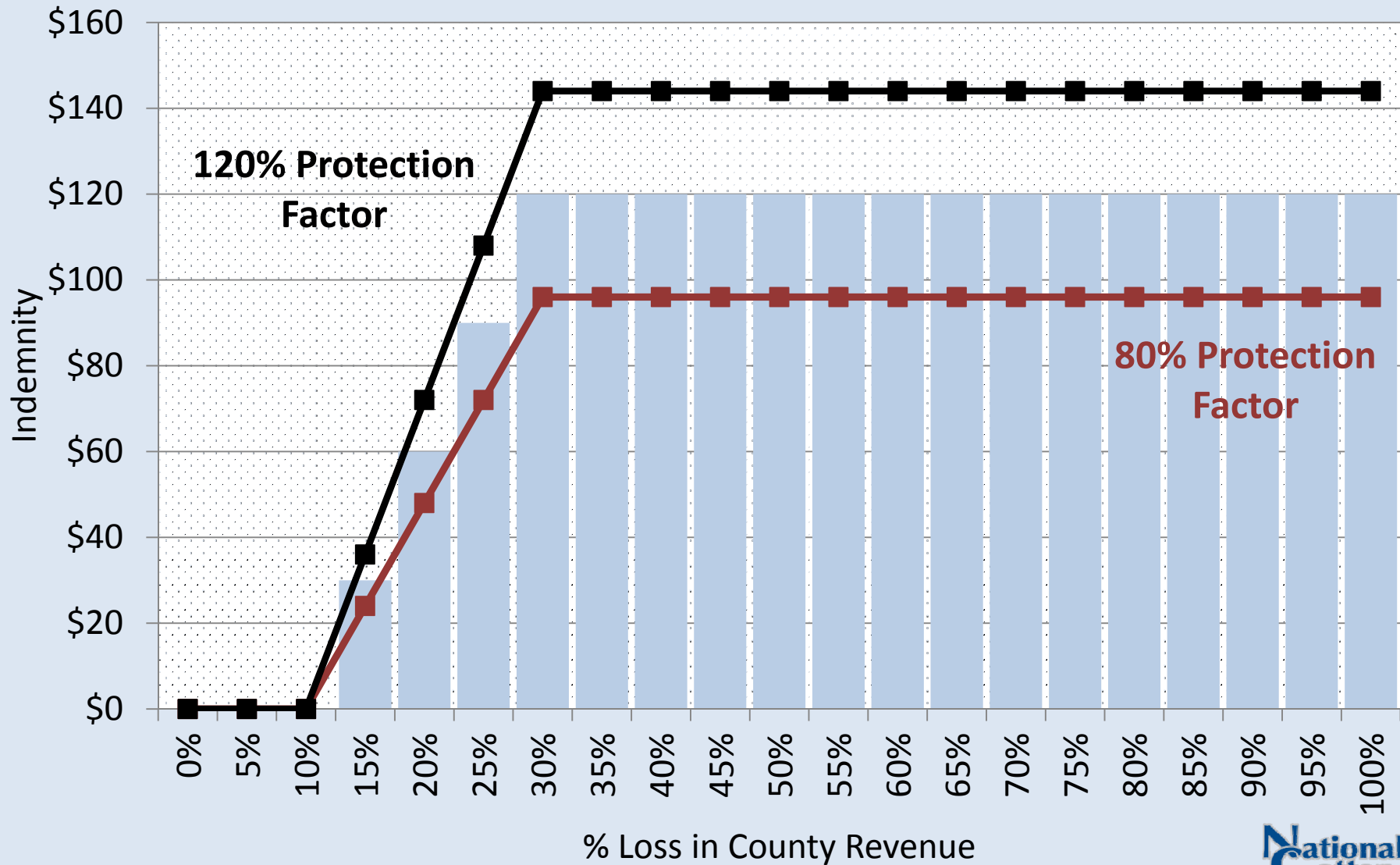
STAX Liability & Premiums

STAX Yields & Premium Rates

- RMA has released expected yields for all counties

- Premium rates also published
  - Since a revenue policy, rates published across a range of price volatility factors

- Information available at Actuarial Information Browser of RMA website
  http://webapp.rma.usda.gov/apps/actuarialinformationbrowser2015/CropCriteria.aspx

STAX Premium Subsidy

- Premium subsidy is 80%, equals highest available under existing products

	Coverage Level %	50	55	60	65	70	75	80	85	90
Individual Yield & Revenue	Basic & Optional	67	64	64	59	59	55	48	38	
	Enterprise	80	80	80	80	80	77	68	53	
Area-wide Yield/Revenue						64	64	59	59	55

Lubbock Co, TX STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	852	333
3.	Expected County Revenue (#1 * #2)	$554	$216
4.	90% of Expected Revenue (90% * #3)	$498	$195
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$133	$52
6.	Premium Rate per $ of Liability (RMA)	0.4013	0.6384
7.	Total Premium (#6 * #5)	$53	$33
8.	Producer-paid Premium (#7 * 0.2)	$11	$7

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

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Dawson Co, TX STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,048	237
3.	Expected County Revenue (#1 * #2)	$681	$154
4.	90% of Expected Revenue (90% * #3)	$613	$139
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$163	$37
6.	Premium Rate per $ of Liability (RMA)	0.3633	0.6151
7.	Total Premium (#6 * #5)	$59	$23
8.	Producer-paid Premium (#7 * 0.2)	$12	$5

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

Glasscock Co, TX STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,242	263
3.	Expected County Revenue (#1 * #2)	$807	$171
4.	90% of Expected Revenue (90% * #3)	$727	$154
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$194	$41
6.	Premium Rate per $ of Liability (RMA)	0.4064	0.6384
7.	Total Premium (#6 * #5)	$79	$26
8.	Producer-paid Premium (#7 * 0.2)	$16	$5

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

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Nueces Co, TX STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	917	488
3.	Expected County Revenue (#1 * #2)	$596	$317
4.	90% of Expected Revenue (90% * #3)	$536	$285
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$143	$76
6.	Premium Rate per $ of Liability (RMA)	0.2708	0.4768
7.	Total Premium (#6 * #5)	$39	$36
8.	Producer-paid Premium (#7 * 0.2)	$8	$7

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

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Jackson Co, OK STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	844	304
3.	Expected County Revenue (#1 * #2)	$549	$198
4.	90% of Expected Revenue (90% * #3)	$494	$178
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$132	$47
6.	Premium Rate per $ of Liability (RMA)	0.4738	0.6252
7.	Total Premium (#6 * #5)	$62	$30
8.	Producer-paid Premium (#7 * 0.2)	$12	$6

*   Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

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Sumner Co, KS STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,053	577
3.	Expected County Revenue (#1 * #2)	$684	$375
4.	90% of Expected Revenue (90% * #3)	$616	$338
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	$164	$90
6.	Premium Rate per $ of Liability (RMA)	0.5084	0.6384
7.	Total Premium (#6 * #5)	$84	$57
8.	Producer-paid Premium (#7 * 0.2)	$17	$11

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.
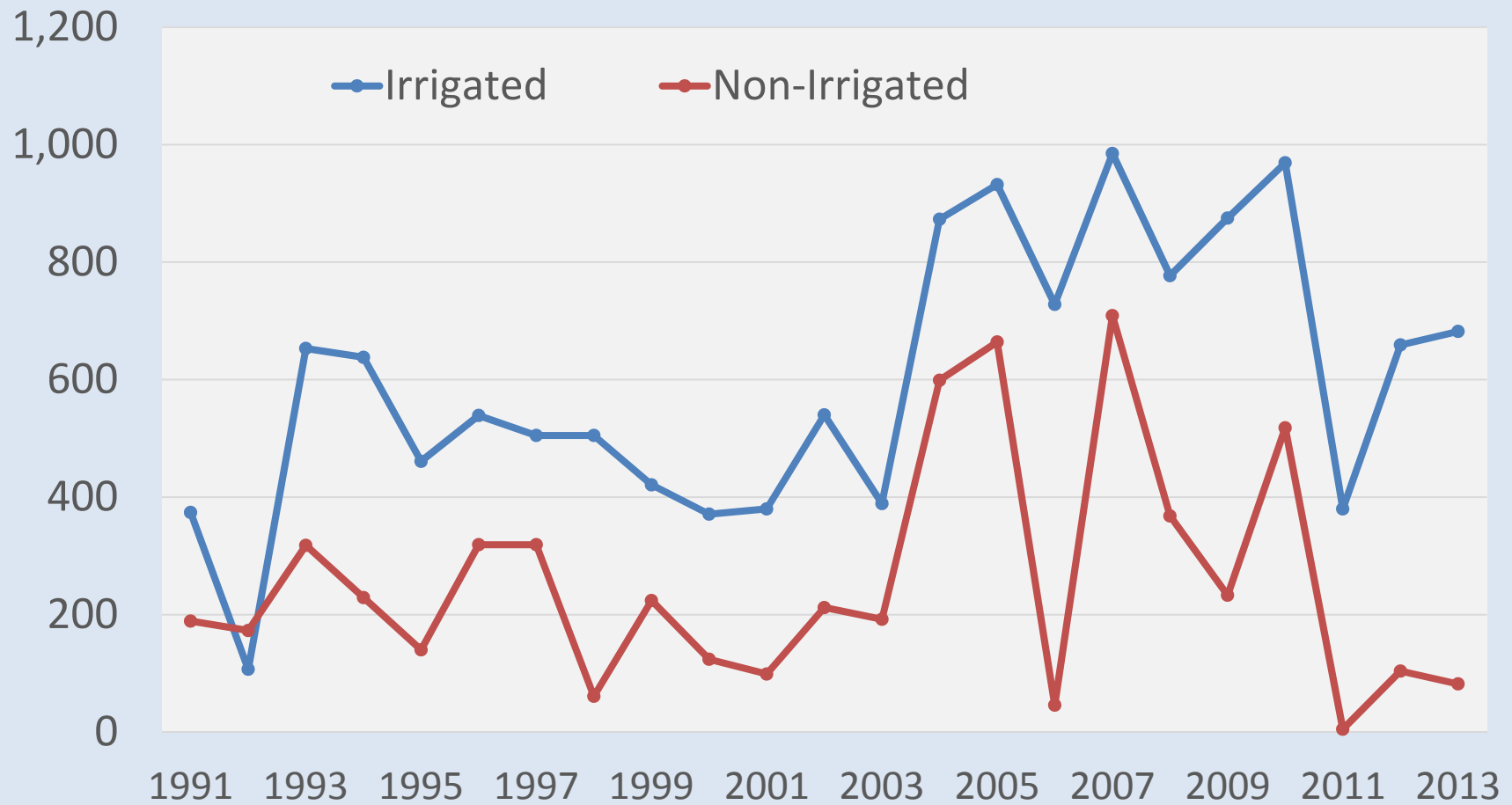
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RMA County Yields

Lubbock County Yields

Historical Illustration of Dawson Co. TX STAX Indemnities

Legend: Irrigated STAX (blue), Non-Irrigated STAX (pink)

Y-axis: Dollars per Acre, ranging from $0 to $350

X-axis years: 2008, 2009, 2010, 2011, 2012, 2013

Assumes 90-70% STAX and 120% Protection Factor

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Historical Illustration of Nueces Co, TX STAX Indemnities

Assumes 90-70% STAX and 120% Protection Factor

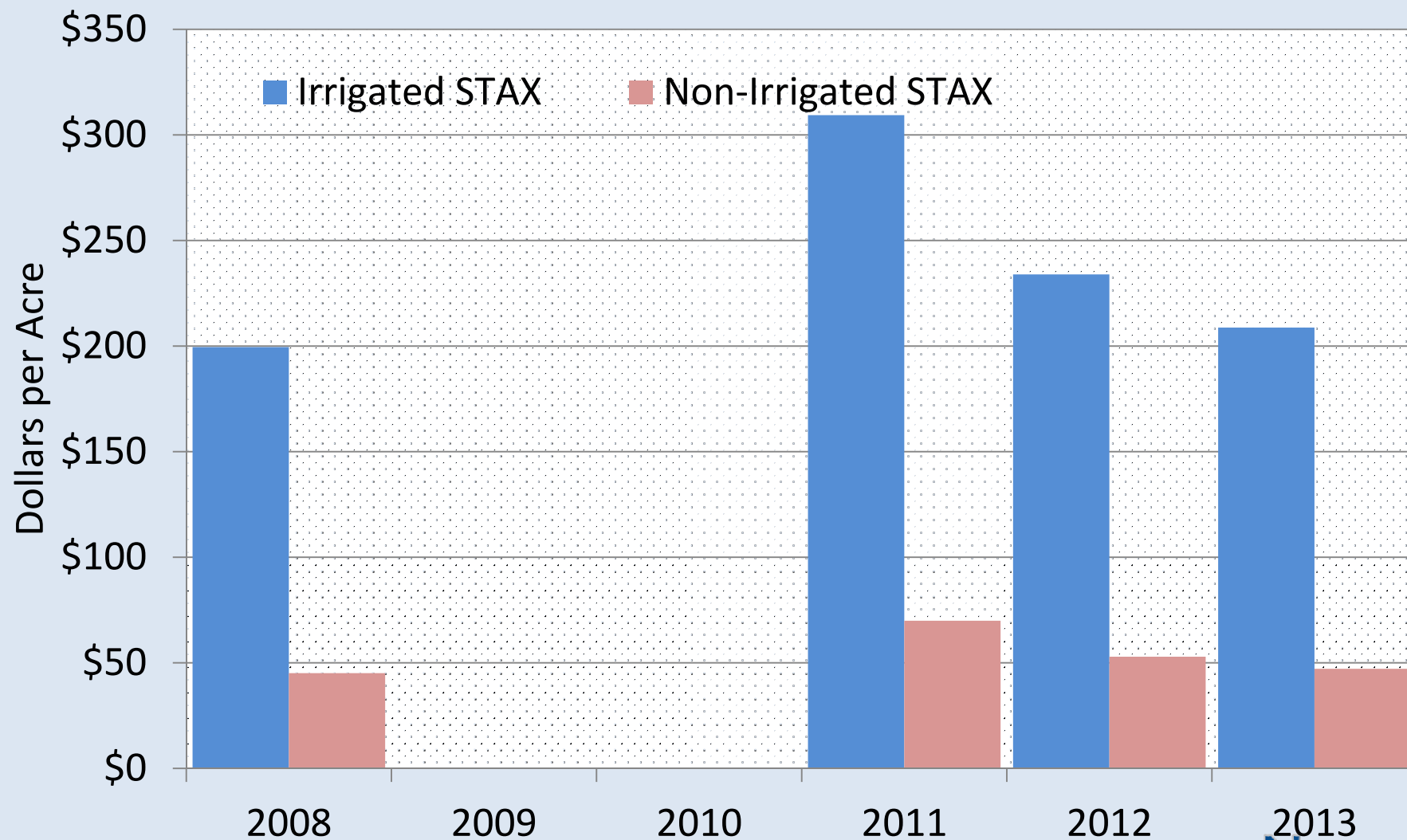National Cotton Council OF AMERICA

Historical Illustration of Jackson Co, OK STAX Indemnities
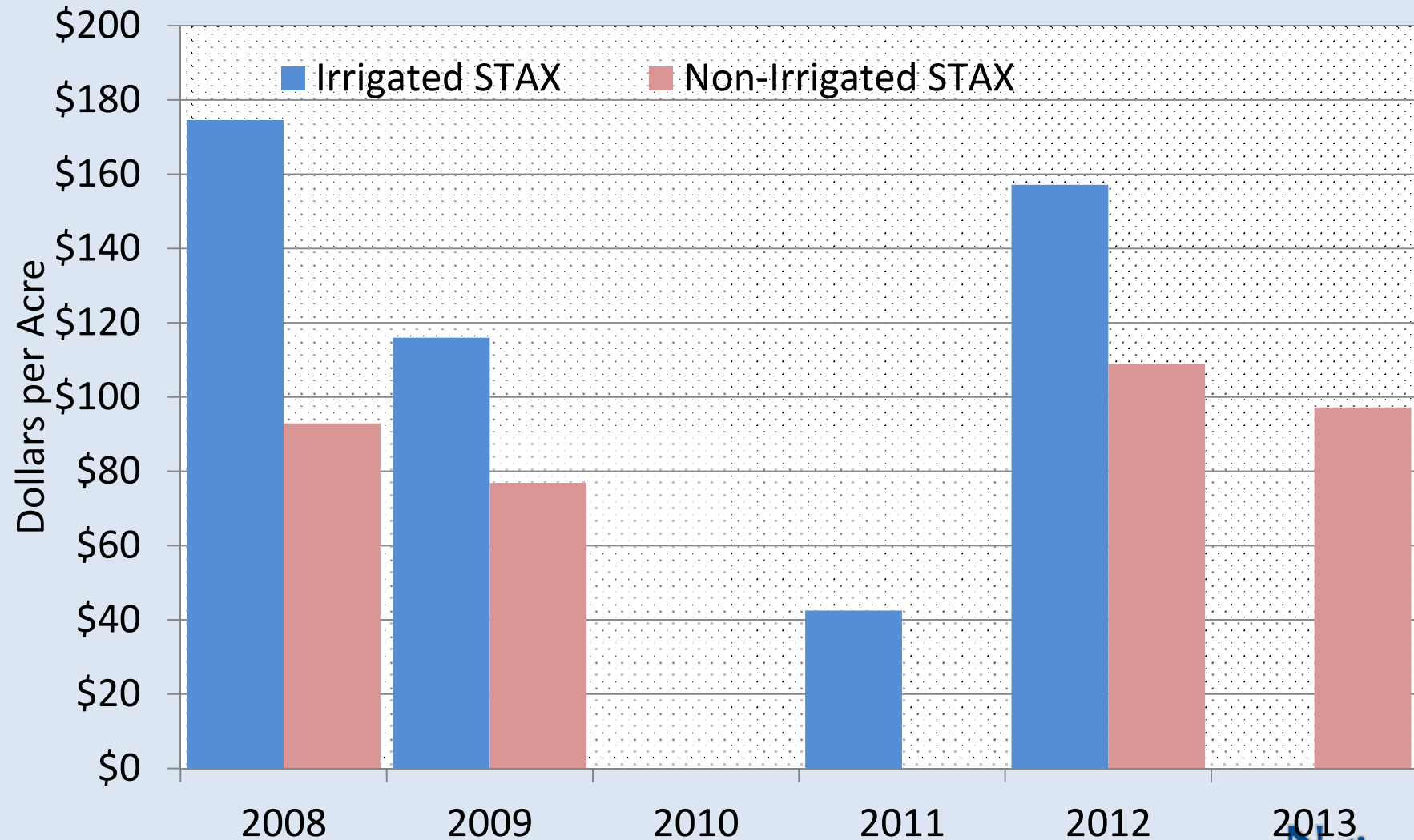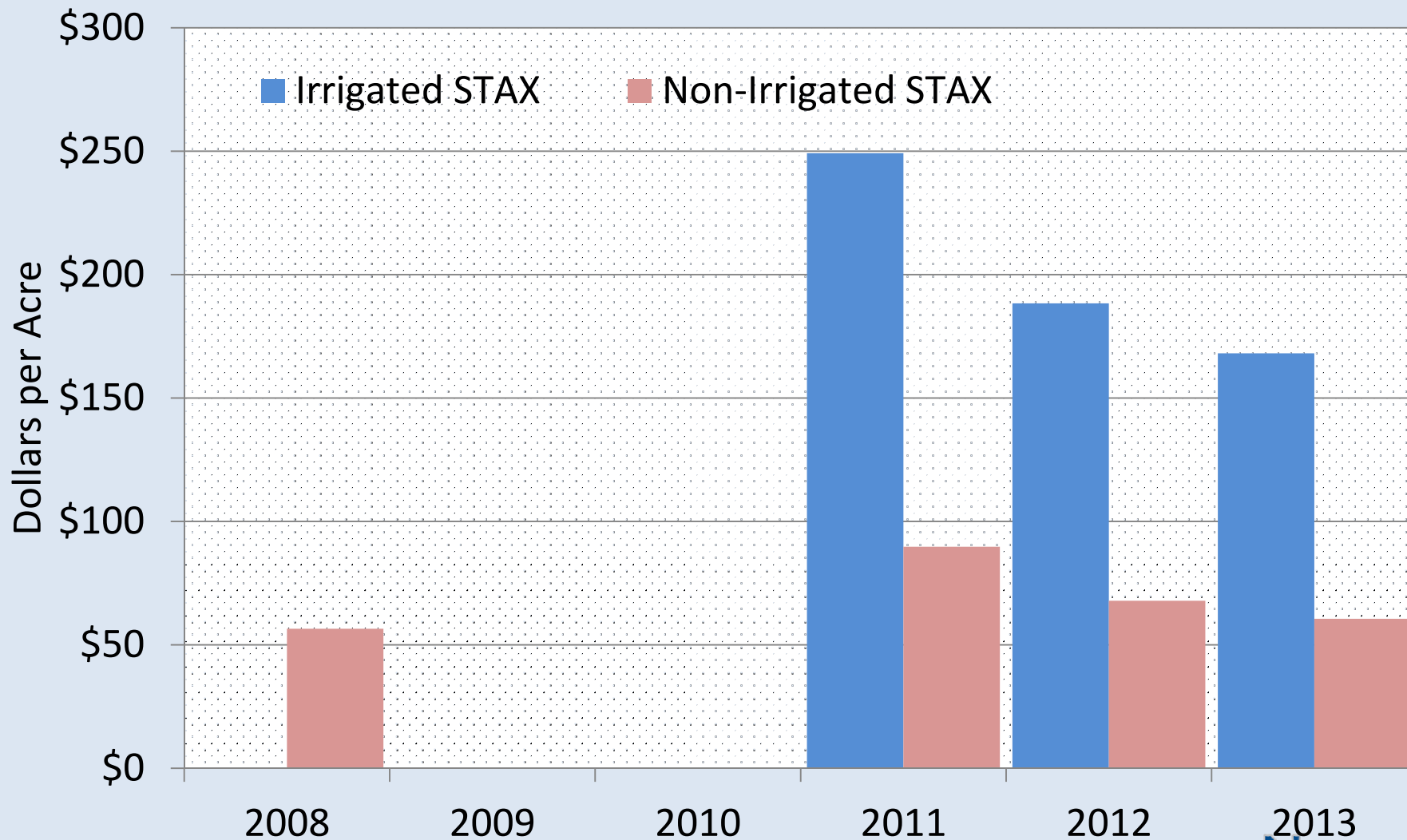
Assumes 90-70% STAX and 120% Protection Factor

Historical Illustration of Sumner Co, KS STAX Indemnities

Dollars per Acre

- Irrigated STAX
- Non-Irrigated STAX

$350
$300
$250
$200
$150
$100
$50
$0

2008 2009 2010 2011 2012 2013

Assumes 90-70% STAX and 120% Protection Factor

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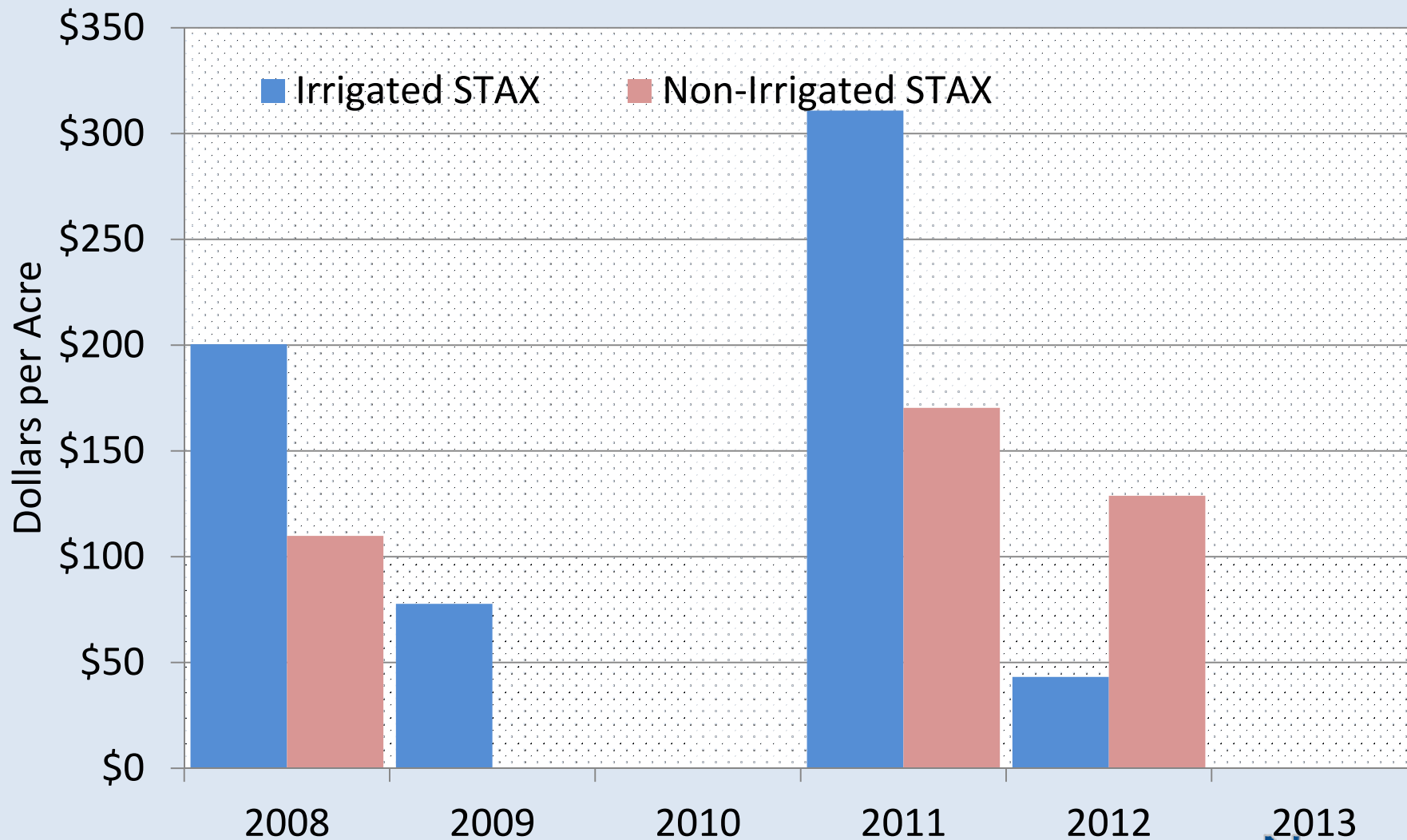
STAX & Underlying Coverage

STAX & Existing Insurance Coverage

- Designed to be a complement to existing coverage

- May be purchased as the only insurance policy covering that acre; or purchased in addition to CAT coverage or existing buy-up product

  - Note: Lower band of STAX coverage may not overlap the coverage level of another insurance policy on that same acre
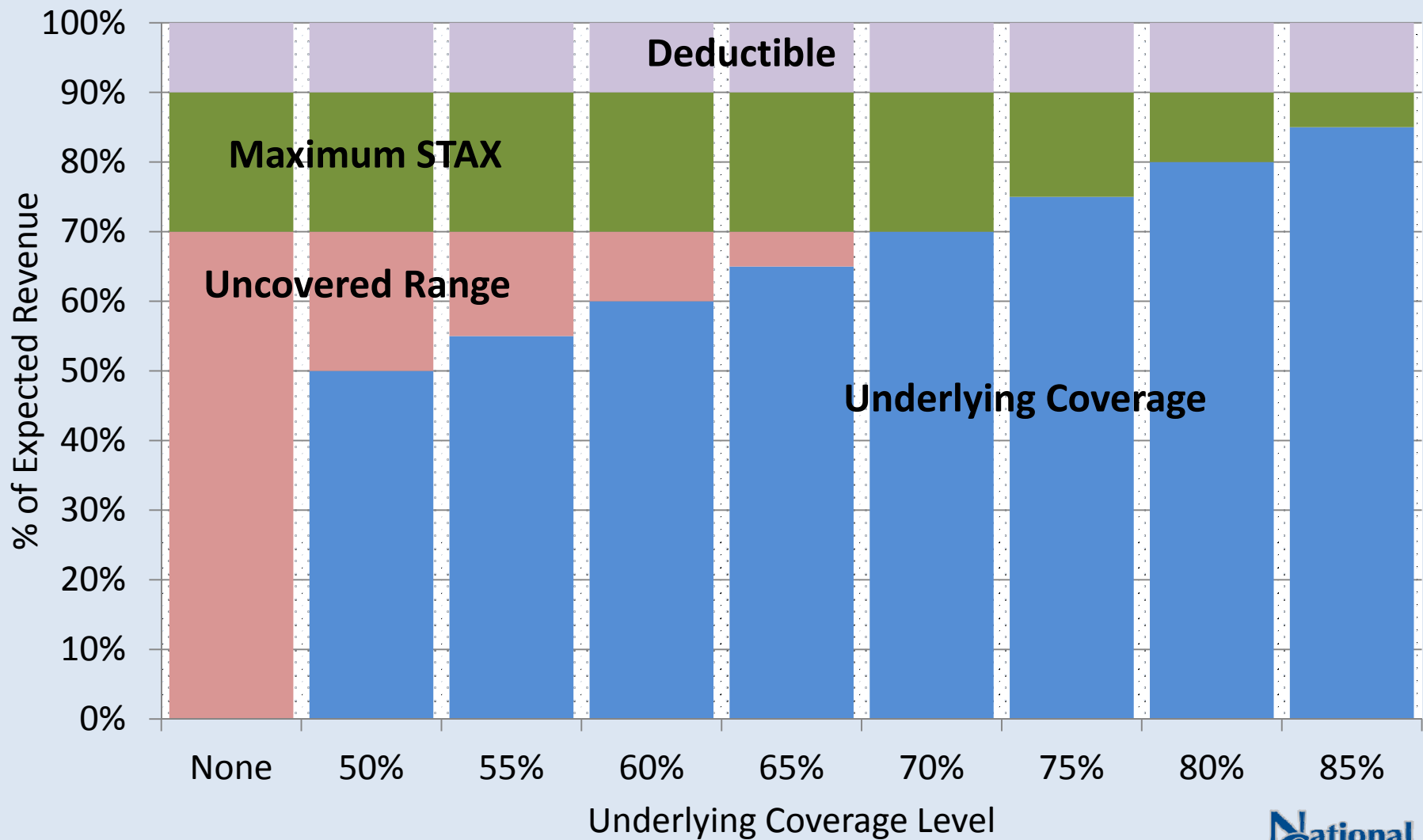
Considerations if Coverage >70%

- Premium savings

- Area-wide coverage vs. individual coverage
  - Does individual yield experience correlate with area-wide experience?

Supplemental Coverage Option

Supplemental Coverage Option

- New product for upland cotton & other crops beginning in 2015

- May not be purchased on cotton acres covered by STAX

- Must purchase underlying insurance policy
  - Provides coverage for portion of a producer's deductible

- Indemnities triggered on county yield or revenue experience, depending on underlying coverage

Additional SCO Features

- SCO deductible is 14%
  - Indemnities triggered if county yield/revenue falls below 86% of expected yield/revenue
  - % by which county yield/revenue falls below 86% determines indemnity that is adjusted based on value of the producer's individual indemnity
- SCO coverage extends down to the coverage level of the underlying policy
- SCO premium subsidy is 65%

Considerations for STAX or SCO

	SCO	STAX
Underlying Coverage Required	Yes	No
Area-wide Trigger	Yes; Yield or Revenue; depending on ind. policy	Yes; Revenue
Deductible	14% fixed	10% minimum
Coverage Band	Down to underlying coverage	Down to 70%
Premium Subsidy	65%	80%
Indemnity	Paid on % of Individual's deductible	Paid on county shortfall, adjusted by protection factor

Key Questions

- Is your individual APH well above the expected county yield?

- Is your underlying coverage less than 70%?

- Remember that both STAX and SCO trigger off county experience, at 90% & 86%, respectively.

Lubbock Co, TX STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	852	852	852
3.	Expected County Revenue (#1 * #2)	$554	$554	$554
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$498	$476	$476
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$133	$89	$144
6.	Premium Rate per $ of Liability (RMA)	0.4013	0.3764	0.3207
7.	Total Premium (#6 * #5)	$53	$33	$46
8.	Producer Premium (#7 * 0.2 or 0.35)	$11	$12	$16

* Premium based price volatility factor of 0.15. Assume producer APH = county expected yield.

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Lubbock Co, TX STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	333	333	333
3.	Expected County Revenue (#1 * #2)	$216	$216	$216
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$195	$186	$186
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$52	$52	$85
6.	Premium Rate per $ of Liability (RMA)	0.6384	0.6254	0.5908
7.	Total Premium (#6 * #5)	$33	$33	$50
8.	Producer Premium (#7 * 0.2 or 0.35)	$7	$11	$17

* Premium based price volatility factor of 0.15. Assume producer APH = 500 pounds.

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Dawson Co, TX STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,048	1,048	1,048
3.	Expected County Revenue (#1 * #2)	$681	$681	$681
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$613	$586	$586
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$163	$109	$177
6.	Premium Rate per $ of Liability (RMA)	0.3633	0.3426	0.2937
7.	Total Premium (#6 * #5)	$59	$37	$52
8.	Producer Premium (#7 * 0.2 or 0.35)	$12	$13	$18

* Premium based price volatility factor of 0.15. Assume producer APH = county expected yield.

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Dawson Co, TX STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	237	237	237
3.	Expected County Revenue (#1 * #2)	$154	$154	$154
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$139	$132	$132
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$37	$42	$68
6.	Premium Rate per $ of Liability (RMA)	0.6151	0.6022	0.5795
7.	Total Premium (#6 * #5)	$23	$25	$39
8.	Producer Premium (#7 * 0.2 or 0.35)	$5	$9	$14

* Premium based price volatility factor of 0.15. Assume producer APH = 400 pounds.

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Glasscock Co, TX STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,242	1,242	1,242
3.	Expected County Revenue (#1 * #2)	$807	$807	$807
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$727	$694	$694
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$194	$129	$210
6.	Premium Rate per $ of Liability (RMA)	0.4064	0.3821	0.3272
7.	Total Premium (#6 * #5)	$79	$49	$69
8.	Producer Premium (#7 * 0.2 or 0.35)	$16	$17	$24

* Premium based price volatility factor of 0.15. Assume producer APH = county expected yield.

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Glasscock Co, TX STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	263	263	263
3.	Expected County Revenue (#1 * #2)	$171	$171	$171
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$154	$147	$147
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$41	$52	$85
6.	Premium Rate per $ of Liability (RMA)	0.6384	0.6254	0.5908
7.	Total Premium (#6 * #5)	$26	$33	$50
8.	Producer Premium (#7 * 0.2 or 0.35)	$5	$11	$17

* Premium based price volatility factor of 0.15. Assume producer APH = 500 pounds.

Nueces Co, TX STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	917	917	917
3.	Expected County Revenue (#1 * #2)	$596	$596	$596
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$536	$513	$513
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$143	$95	$155
6.	Premium Rate per $ of Liability (RMA)	0.2708	0.2284	0.1607
7.	Total Premium (#6 * #5)	$39	$22	$25
8.	Producer Premium (#7 * 0.2 or 0.35)	$8	$8	$9

* Premium based price volatility factor of 0.15. Assume producer APH = county expected yield.

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Nueces Co, TX STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	488	488	488
3.	Expected County Revenue (#1 * #2)	$317	$317	$317
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$285	$273	$273
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$76	$73	$118
6.	Premium Rate per $ of Liability (RMA)	0.4768	0.4581	0.4202
7.	Total Premium (#6 * #5)	$36	$33	$50
8.	Producer Premium (#7 * 0.2 or 0.35)	$7	$12	$17

* Premium based price volatility factor of 0.15. Assume producer APH = 700 pounds.

Jackson Co, OK STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	844	844	844
3.	Expected County Revenue (#1 * #2)	$549	$549	$549
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$494	$472	$472
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$132	$88	$143
6.	Premium Rate per $ of Liability (RMA)	0.4738	0.4676	0.4493
7.	Total Premium (#6 * #5)	$62	$41	$64
8.	Producer Premium (#7 * 0.2 or 0.35)	$12	$14	$22

* Premium based price volatility factor of 0.15. Assume producer APH = county expected yield.

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Jackson Co, OK STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	304	304	304
3.	Expected County Revenue (#1 * #2)	$198	$198	$198
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$178	$170	$170
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$47	$42	$68
6.	Premium Rate per $ of Liability (RMA)	0.6252	0.6170	0.5686
7.	Total Premium (#6 * #5)	$30	$26	$38
8.	Producer Premium (#7 * 0.2 or 0.35)	$6	$9	$13

* Premium based price volatility factor of 0.15. Assume producer APH = 400 pounds.

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Sumner Co, KS STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,053	1,053	1,053
3.	Expected County Revenue (#1 * #2)	$684	$684	$684
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$616	$589	$589
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$164	$110	$178
6.	Premium Rate per $ of Liability (RMA)	0.5084	0.4914	0.4493
7.	Total Premium (#6 * #5)	$84	$54	$80
8.	Producer Premium (#7 * 0.2 or 0.35)	$17	$19	$28

* Premium based price volatility factor of 0.15.

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Sumner Co, KS STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	$0.65	$0.65	$0.65
2.	Expected County Yield/Pltd Acre (RMA)	577	577	577
3.	Expected County Revenue (#1 * #2)	$375	$375	$375
4.	Trigger % of Expected Revenue (90% or 86% * #3)	$338	$323	$323
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3, adjusted based on individual APH yield)	$90	$60	$98
6.	Premium Rate per $ of Liability (RMA)	0.6384	0.6254	0.5908
7.	Total Premium (#6 * #5)	$57	$38	$58
8.	Producer Premium (#7 * 0.2 or 0.35)	$11	$13	$20

* Premium based price volatility factor of 0.15.

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Other Crop Insurance Changes

- Enhanced coverage options by enterprise units
  - Makes permanent 80% premium subsidy
  - Allows for enterprise unit coverage by irrigated and non-irrigated practices

- Allows for different coverage levels by irrigated/non-irrigated practice

Other Crop Insurance Changes

- Adjustment in APH insurable yields
  - Producer may opt to exclude any year from APH if yield in county in that year is less than 50% of ten-year county average; Also applies to contiguous counties and allows for the separation of irrigated and non-irrigated acres
  - More details in December
    - Peanut revenue coverage

- Conservation compliance required for insurance premium subsidy
  - Must file AD-1026 by June 1, 2015

Other Farm Bill Issues

Key Decision Dates

- Sep 29, '14 – Feb 27, '15: Retain or re-allocate covered commodity bases and update payment yield by landowner

- Nov 17, '14 – Mar 31, '15: PLC or ARC per farm per covered commodity base by all producers (POA)

- April '15 – Summer '15: '14 and '15 crop annual sign-up

- Oct '15 – '14 PLC/ARC payments due

Payment Acres for PLC or ARC-CO

- 85% of sum of base acres for each covered commodity and any generic base attributed to the covered commodity

- When generic acres planted to one or more covered commodities, special rules for calculating total payment acres

Understanding Generic Base

- Did the farm have cotton base in 2013?

    – If yes, then those base acres became generic base in 2014 through 2018.

- Are there (or will there be) covered commodities (grains, oilseeds, rice, peanuts) planted on the farm in '14-18?

    – If yes, then all or a portion of generic base acres eligible to receive PLC/ARC payments in that year.

Attributing Generic Base

2015 Base	Generic	Wheat	Total
# of Base Acres	100	100	200
2015 Planted	**Cotton**	**Wheat**	**Total**
# of Planted Acres	100	100	200
(Individual Covered Commodity Planted) as % of (Total Covered Commodity Planted)		100/100 = 100%	
Generic Base Attributed		100	
2015 Effective Base for PLC/ARC		**200**	**200**
2015 Payment Acres for PLC/ARC	**0**	**85%*200**	**170**

Upland Cotton Marketing Loan

- Loan rate set by formula using average of AWP for 2 most recently completed marketing years, as of Oct 1 in year prior to planting
  - Loan rate does not change during marketing year
- Loan rate for base quality not less than 45 cents or greater than 52 cents
- For 2015, base loan rate set at 52 cents
- MLGs & LDPs now subject to payment limit

Payment Limits

- $125K limit/entity for PLC, ARC, MLG, LDP
  - Separate limit for peanuts
  - Does not apply to eligibility for crop insurance premium subsidies
- USDA developing interim and longer-term process for applying MLG/LDP to payment limit
- Coops or producer responsible for overpayment
- NCC Briefing Paper included in handout

AGI Means Test

- If 3-yr avg AGI > $900K, then ineligible for PLC, ARC, MLG and LDP

- New procedure for AGI certification/verification
  - Producer must file CCC-941
  - IRS will verify eligibility
  - Coops and LSAs can redeem loans at AWP w/o verifying certification/verification
  - Producer can redeem loans at AWP/receive LDP if certification on file prior to verification by IRS
    - If determined ineligible, repayment required

__Resources__

- Texas A&M Ag and Food Policy Center decision tool https://decisionaid.afpc.tamu.edu/

- University of Illinois farm bill toolbox http://farmbilltoolbox.farmdoc.illinois.edu/

- USDA-RMA Farm Bill page http://www.rma.usda.gov/news/currentissues/farmbill/index.html

- USDA-FSA website http://www.fsa.usda.gov/FSA/

- Check your state university extension website

Final Questions?

Presentation and Summary
available for NCC members
at www.cotton.org

Producers   Cooperatives

Ginners   Cottonseed   Merchants

Warehouses   Manufacturers