



Risk Management Agency Crop Insurance for U.S. Cotton

Presentation to the International Cotton Advisory Committee

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Risk Management Agency

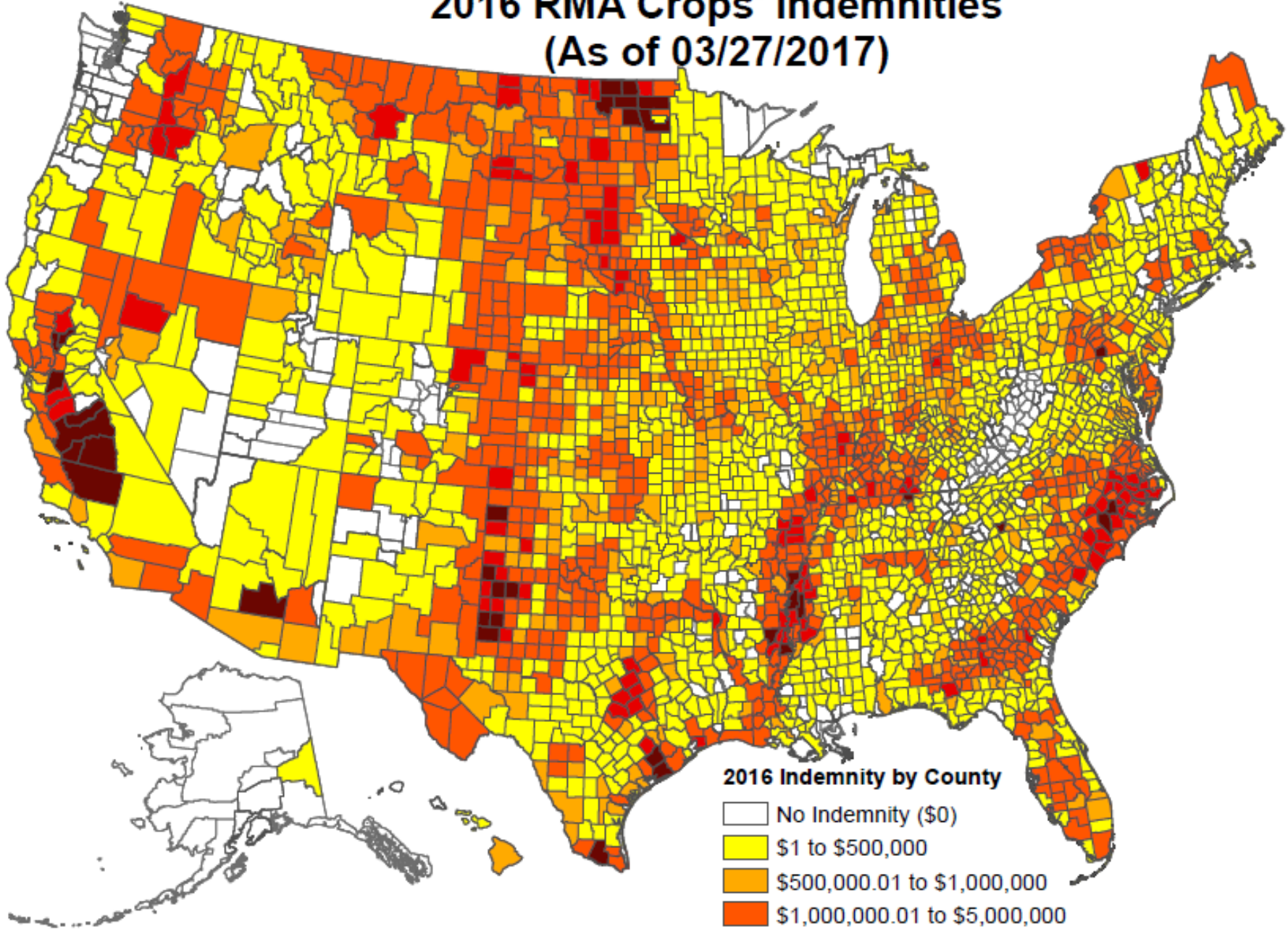
- The Federal crop insurance program protects farmers and ranchers from losses caused by natural disasters and price decline, and has become one of the most important programs in the USDA's farm safety net for farmers and ranchers.
- Federal crop insurance provides coverage for the majority of principle U.S. crops along with other field and specialty crops and some livestock.
- Coverage is provided against agricultural production losses due to unavoidable natural perils such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects, etc.



Crop Insurance Protection

- In 2016 the program
 - Had approximately 1.2 Million policies
 - Covered 294 million acres
 - Provided over \$100.4 billion in (liability) protection
 - Collected \$5.8 billion in producer paid premium
 - Paid \$3.6 billion to producers for covered losses

2016 RMA Crops' Indemnities (As of 03/27/2017)



- 2016 Indemnity by County**
- No Indemnity (\$0)
 - \$1 to \$500,000
 - \$500,000.01 to \$1,000,000
 - \$1,000,000.01 to \$5,000,000
 - \$5,000,000.01 to \$10,000,000
 - over \$10,000,000.01



2014 - Top 10 Commodities by Crop

Rank	2014 Commodity	2014 Liability
1	Corn	\$43.9 Billion
2	Soybeans	\$27.4 Billion
3	Wheat	\$9.3 Billion
4	Cotton	\$4.0 Billion
5	Almonds	\$2.2 Billion
6	Rice	\$1.8 Billion
7	Nursery	\$1.6 Billion
8	Grapes	\$1.5 Billion
9	Orange Trees	\$1.27 Billion
10	Potatoes	\$1.17 Billion



2016 - Top 10 Commodities by Crop

Rank	2016 Commodity	2016 Liability
1	Corn	\$39.5 Billion
2	Soybeans	\$22.1 Billion
3	Wheat	\$6.7 Billion
4	Almonds	\$3.6 Billion
5	Cotton	\$3.3 Billion
6	Whole Farm Revenue Protection	\$2.3 Billion
7	Rice	\$1.7 Billion
8	Grapes	\$1.4 Billion
9	Pasture, Rangeland, Forage	\$1.4 Billion
10	Nursery (FG&C)	\$1.17 Billion



Cotton Participation - By Type

Year	Policies	Acres	Liabilities	Total Prem	Subsidy	Indemnity	Loss Ratio
Upland Cotton 2014	84,437	10.4 M	\$4.0 B	\$723 M	\$473 M	\$723 M	1.31
Upland Cotton 2015	97,685	8.6 M	\$3.0 B	\$657 M	\$460 M	\$390M	0.59
Upland Cotton 2016	97,263	9.4 M	\$3.3 B	\$651 M	\$456 M	\$300 M	0.46
Extra Long Staple 2014	1,348	276,972	\$252 M	\$33 M	\$16.9 M	\$89.9 M	2.70
Extra Long Staple 2015	1,337	256,700	\$213 M	\$33 M	\$17.1M	\$94.0 M	2.83
Extra Long Staple 2016	1,285	249,200	\$216 M	\$25 M	\$12.9 M	\$59.7M	2.37

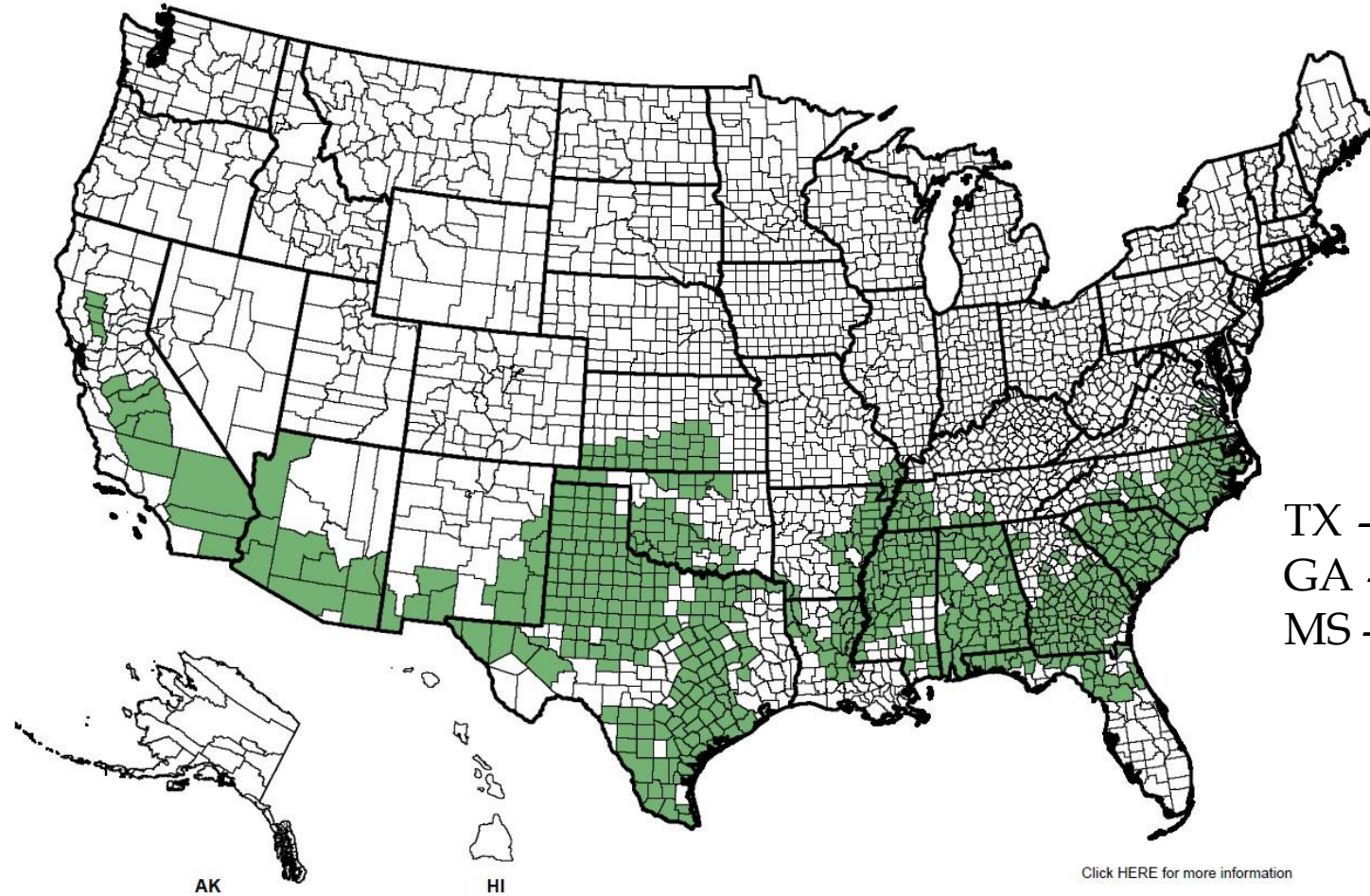


Organic Cotton 2007-2016

Acres	Liability	Premium	Indemnity	Loss Ratio
142,498	\$55.0 M	\$14.4 M	\$22.2 M	1.54



States with Upland Cotton Coverage

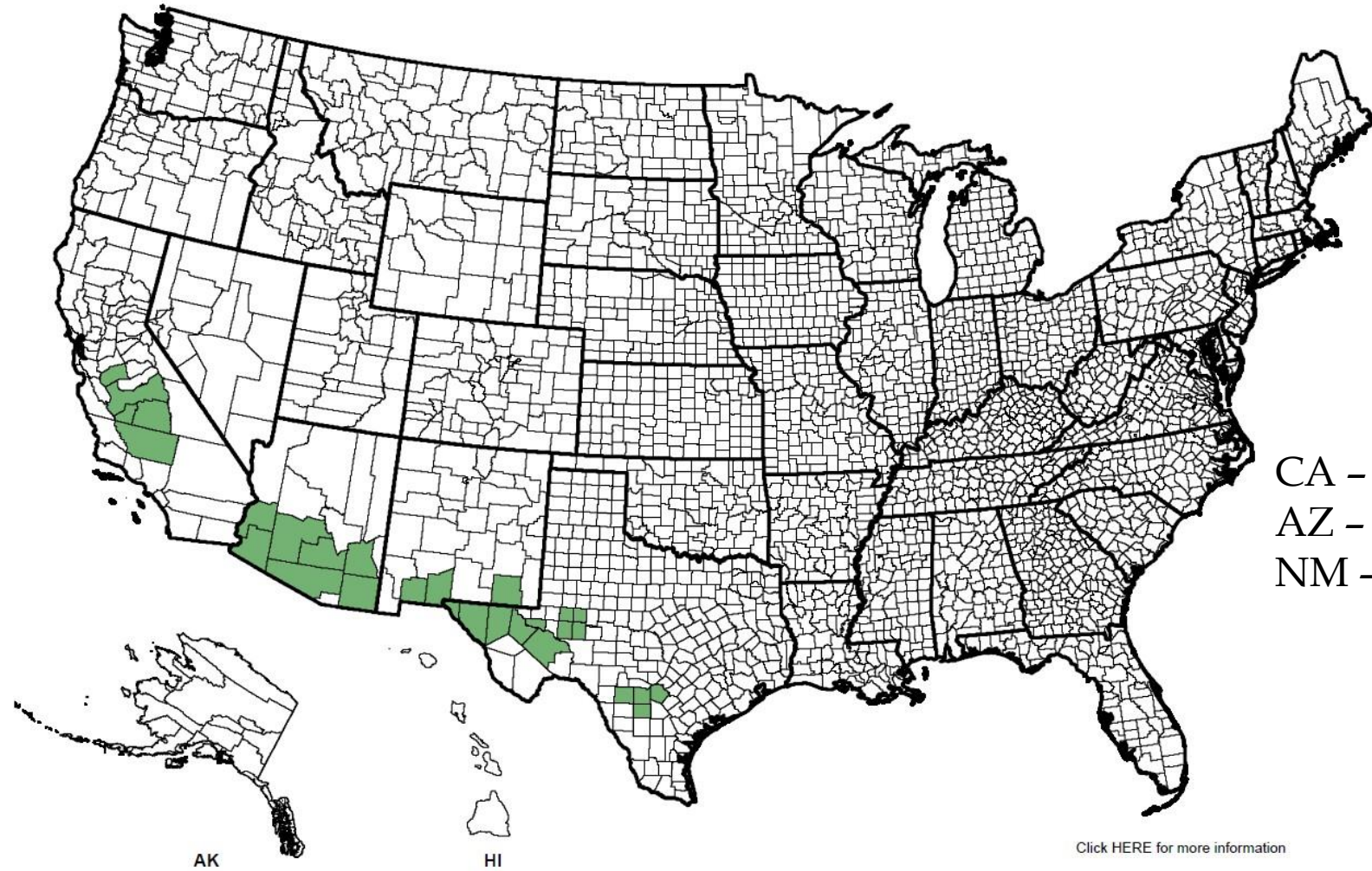


TX - 5.4 M Acres
GA - 1.1 M Acres
MS - 412 K Acres

[Click HERE for more information](#)



States –Extra Long Staple Cotton



CA - 208,777 Acres
AZ - 12,595 Acres
NM - 6,044 Acres

[Click HERE for more information](#)

Farm Bill Overview – For Cotton

- Supplemental Coverage Option (SCO);
and
- Stacked Income Protection
Plan (STAX) - Upland
Cotton





Supplemental Coverage Option (SCO)

- Area-based coverage for a portion of insurance policy deductible
- Purchased with an underlying individual crop policy
- Payout based on the liability of the individual underlying policy
- 65% premium subsidy
- Available for **cotton** in 2015



SCO Example

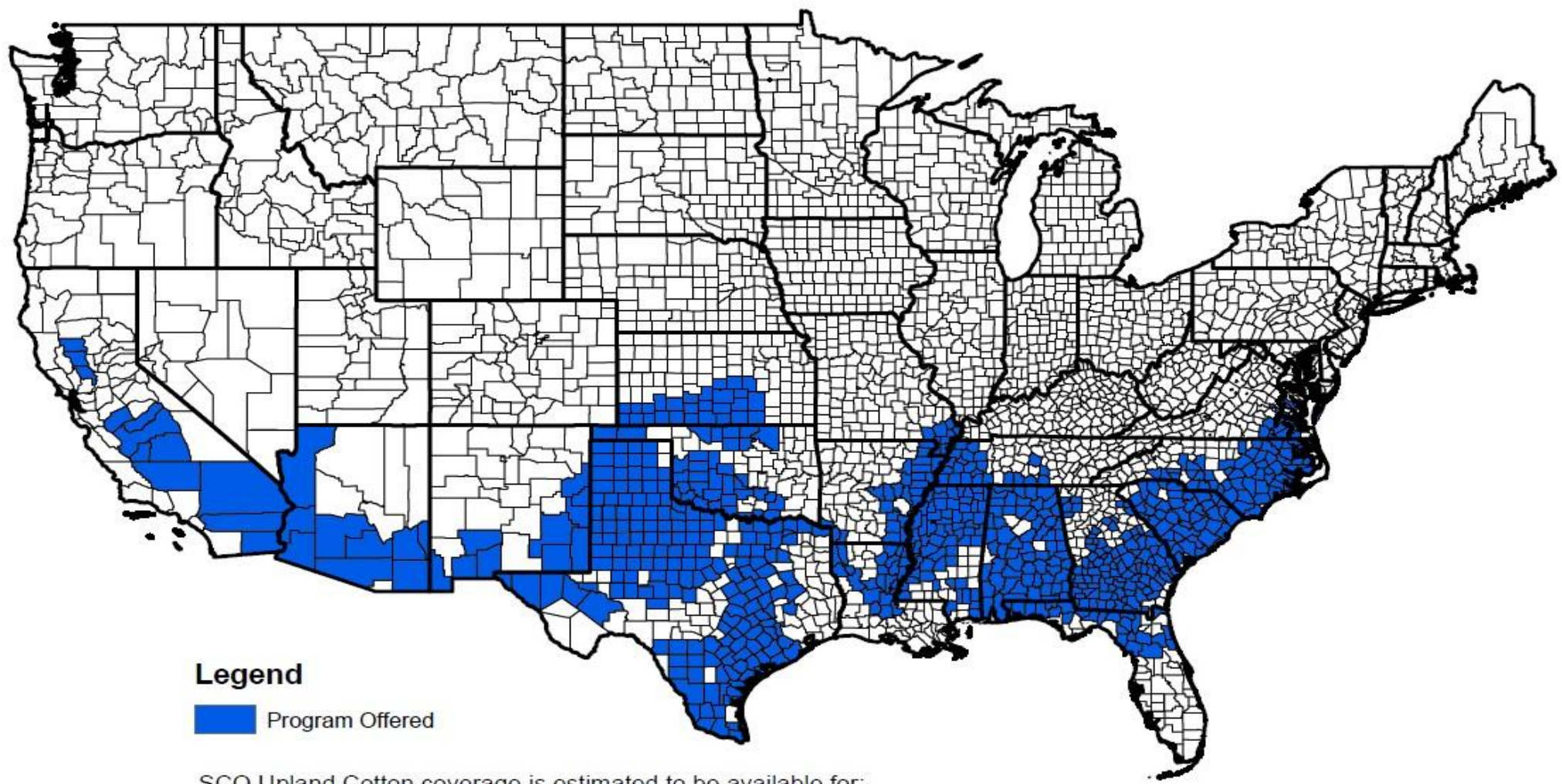
Example:

Grower purchases
an individual
revenue policy,
75% coverage

S C O C o v e r a g e		
P e r c e n t o f E x p e c t e d G r o w e r R e v e n u e	I n d i v i d u a l L o s s	A r e a - B a s e d L o s s
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2015 Crop Year Supplemental Coverage Option (SCO) Availability for Upland Cotton



Legend

 Program Offered

SCO Upland Cotton coverage is estimated to be available for:
100% of acreage insured (based on 2013 crop insurance participation)
98% of all planted acreage (based on 2013 NASS estimates)



Stacked Income Protection Plan Upland Cotton

- Protects against county wide revenue losses and can supplement a producer's underlying cotton policy, or be purchased as a standalone policy.
- Producers can elect coverage of up to 20 percent of expected county revenue, depending on the coverage level of their individual cotton insurance policy.



STAX (continued)

- STAX payments begin when **county revenue** falls below 90 percent of its expected level.
- Any acres covered by a STAX policy may not be covered by a Supplemental Coverage Option (SCO) endorsement.



2015-2016 - STAX and SCO

SCO		
Year	Acres	Liability
2015	10K	\$817K
2016	15K	\$1.8M

STAX		
Year	Acres	Liability
2015	2.5M	\$273M
2016	2.5M	\$245M



New Tool for Cotton Producers

- **The Crop Insurance Decision Tool** is an educational tool to show how SCO and STAX interact with crop insurance. This tool helps producers make a first step towards a purchasing decision.
- The decision tool can be found at :
<http://prodwebnlb.rma.usda.gov/apps/CIDT/>
- Also available for Mobile devices



Peace of Mind

- Crop insurance provides financial stability for agricultural producers and rural communities.
- Are frequently required by lenders
- Provides peace of mind knowing you are covered when natural disasters strike



Thank You

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