

CRC Guarantee Process

Minimum Guarantee - is used to determine premium, final guarantee and to establish the Minimum Revenue Guarantee. The Minimum Guarantee is determined according to the following, approved yield per acre multiplied, by the Base Price, multiplied by the selected coverage level percentage multiplied by the insured acres in the unit.

Base Price (NYCE) - The January 15 to February 14 harvest year's average daily settlement price for the harvest year's NYCE December cotton futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by February 24 of the harvest year.

Harvest Price (NYCE) - The November harvest year's average daily settlement price for the harvest year's NYCE December cotton futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus seventy cents (\$0.70), or greater than the Base Price plus seventy cents (\$0.70). The Harvest Price will be released as an actuarial document addendum by December 10 of the harvest year.

NOTE* The Harvest Price is not the price you receive for the crop!

Final Guarantee - is used when determining production and or price losses, including prevented planting payments. the final guarantee is the greater of the minimum guarantee or harvest guarantee.

Prevented Planting Coverage

Prevented planting provisions in insurance policies provide valuable coverage when an insurable causes of loss prevents expected plantings. Due to the complex nature of farming, the application of prevented planting provisions under specific conditions can produce varying results. The following information is intended to provide general information regarding prevented from planting coverage. For more specific information on prevented planting, a comprehensive handbook can be found on RMA's web site at <http://www.rma.usda.gov/data/directives.html>.

Prevented planting losses are settled separate from loss of production losses. The prevented planting guarantee is based on the units APH, coverage level and prevented planting coverage. The standard prevented planting guarantee is 50% of the final guarantee per acre guarantee, this number can be increased to 55% by electing the PF option or 60% with the PT option.

65% Coverage Level

Indemnity = \$14,283

APH x Coverage Level x Prevented Planting Coverage Level x Qualifying Acres x Share Insured
 $\$438.10 \times 65\% \times 50\% \times 100 \times 100\% = \$14,283$

65% Coverage Level +PT option

Indemnity = \$17,086

APH x Coverage Level x Prevented Planting Coverage Level x Qualifying Acres x Share Insured
 $\$438.10 \times 65\% \times 60\% \times 100 \times 100\% = \$17,086$

Loss of Production Coverage Example

EXAMPLE LOSS OF PRODUCTION

55,495 lbs of cotton harvested. The harvest price is \$0.65 per pound and the final guarantee is \$438.10 per acre

Final Guarantee (Unit) \$43,810

Final guarantee per acre times acres.
 $\$438.10 \times 100 = \$43,810$

Value of production to count \$36,072

55,495 LBS harvested (no production was appraised) times harvest price
 $55,495 \times \$0.65 = \$36,072$

Indemnity \$7,738

Final Guarantee minus Value of Production to count times share
 $\$43,810 - \$36,072 \times 100\% = \$7,738$

EXAMPLE LOSS OF PRODUCTION

80,495 lbs of cotton harvested. The harvest price is \$0.41 per pound and the final guarantee is \$438.10 per acre

Final Guarantee (Unit) \$43,810

Final guarantee per acre times acres.
 $\$438.10 \times 100 = \$43,810$

Value of production to count \$33,003

55,495 LBS harvested (no production was appraised) times harvest price
 $80,495 \times \$0.41 = \$33,003$

Indemnity \$10,807

Final Guarantee minus Value of Production to count times share
 $\$43,810 - \$33,003 \times 100\% = \$10,807$

