

Risk Management: Crop Yield and Revenue Insurance for Cotton

Presentation to
International Cotton Advisory Committee

Washington, DC
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Outline of Presentation

- How crop insurance works
- U.S. crop insurance program
- Cotton crop insurance
 - Types of coverage
 - Participation
 - Experience



How Crop Insurance Works

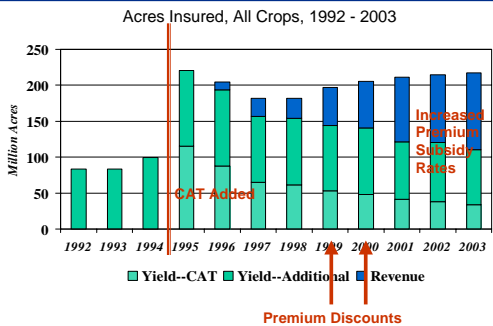
- Coverage established annually for growing season
- Coverage based on recent yield history, price forecasts or futures contracts
 - Producer chooses coverage level
- Multiple-peril insurance
- Premium rates based on coverage and risk
 - Premium subsidized
- Indemnity paid if yield or revenue at end of season is below guarantee



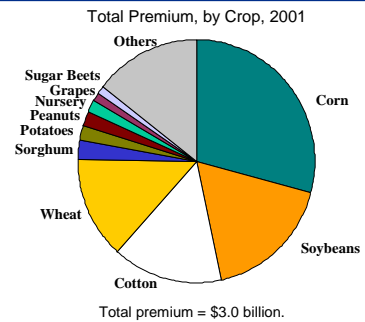
U.S. Crop Insurance Program



Recent History of Crop Insurance Program



Crops Insured



Cotton Crop Insurance

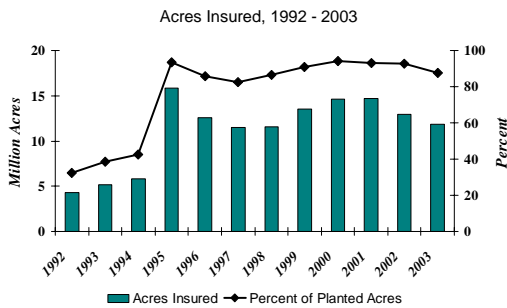
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Crop Insurance Plans Available for Cotton

- **Farm-Level Yield**
 - Actual Production History
 - “Traditional crop insurance”
- **Area Yield**
 - Group Risk Plan
 - County yield
- **Farm-Level Revenue**
 - Revenue = Yield x Price
 - Yield: farm-level actual production history
 - Price is based on futures market price

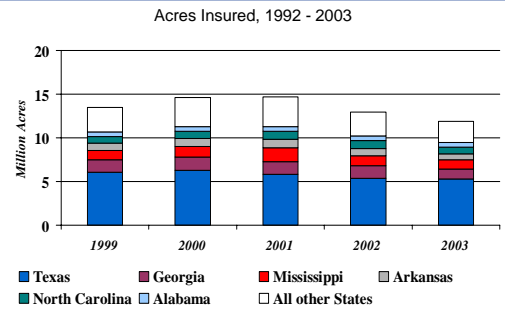
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Cotton Crop Insurance Participation



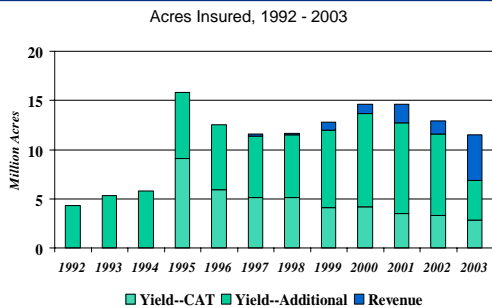
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Cotton Acres Insured, by State



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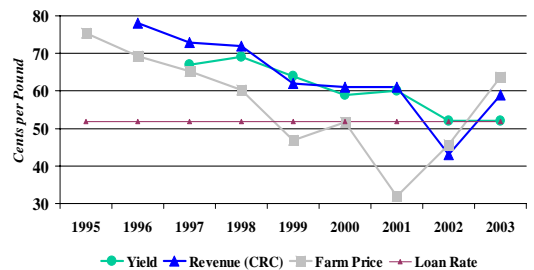
Cotton Acres Insured, by Type of Insurance



Group Risk Plan, less than 0.25 million acres, included in Yield-Additional.

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Cotton Insurance Coverage Prices

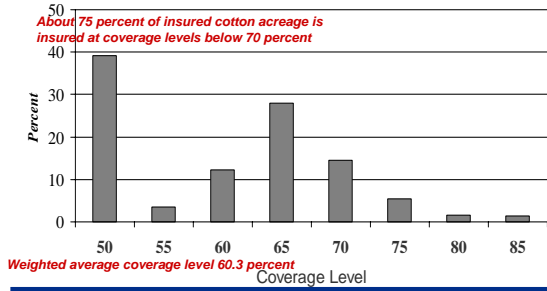


Insurance coverage prices are for north Texas counties. Revenue insurance prices are spring prices. Farm price is U.S. season average price.

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Coverage Levels Insured for Cotton

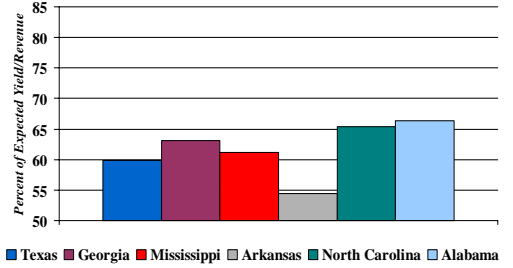
Proportion of Insured Acres, 2003



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Average Coverage Level, by State

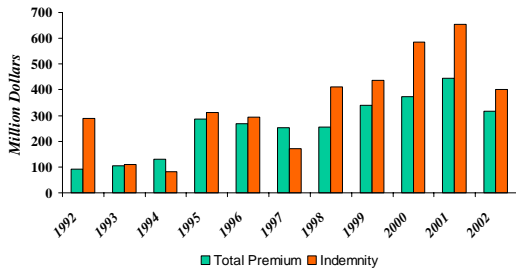
Coverage Level Weighted by Acres Insured, 2003



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Cotton Crop Insurance Total Premiums and Indemnities

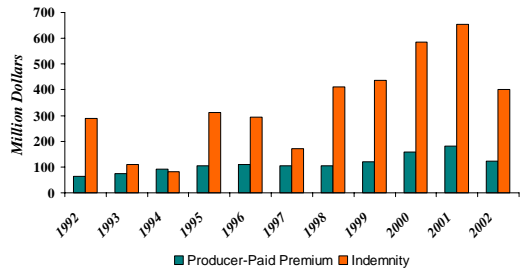
Premiums and Indemnities, 1992 - 2002



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Cotton Crop Insurance Producer-Paid Premiums and Indemnities

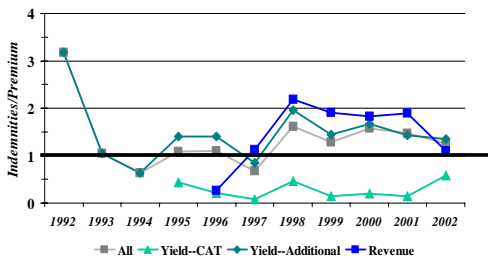
Premiums and Indemnities, 1992 - 2002



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Cotton Crop Insurance Loss Ratios, by Type of Insurance

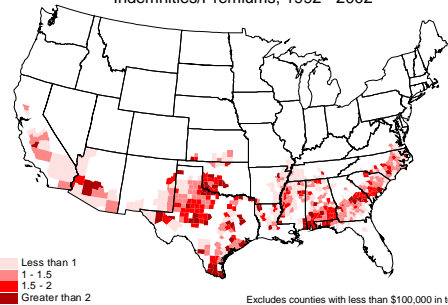
Loss Ratios, 1992 - 2002



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Cotton Crop Insurance Loss Ratios

Indemnities/Premiums, 1992 - 2002



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