

TIMELY INFORMATION

Agriculture & Natural Resources

Some Important Crop Insurance Changes for Cotton Farmers

- The CRC Base Price has been determined to be **72 cents**, which is much greater than the MPCl established or additional price (56 cents or 61cents). If you don't currently have CRC this may be the time to strongly consider it. **Since RMA started the CRC Cotton Program in 2002, it has offered greater benefits in 6 out of the 8 years.** The situation this year (unlike last year) greatly favors CRC as the policy choice. If you want to change plans you must do it before the February 28 Sales Closing Date (March 1 this year due to the Sunday rule).
- Provisions in the Farm Bill allow an increased premium subsidy if farmers agree to get rid of farm-by-farm insurance units and elect the **Enterprise Unit Option**. The subsidy can be up to **80%** of the premium for Enterprise Units (all acreage in the county for the crop covered as one unit). This was implemented last year for both the MCPI and CRC plans on cotton and is in addition to the base premium discount factors for Enterprise Units. Look at this option and decide if you want to increase your level of insurance or save on your premium in return for insuring as one unit per county. Think about your operation and whether you have a tendency toward **spot losses** or losses consistently across the county only in a disaster situation. **But** an important consideration is **irrigation**. If you have both irrigated and non-irrigated units in the same county you likely do not want to consider the Enterprise Unit because this throws your irrigated and non-irrigated acreage together into one unit in that county.
- If you do consider Enterprise Units, also make sure you are clear on the rule change for 2010:
 1. Keep in mind that *Basic Units* are by share and *Optional Units* are by Farm Serial Number within the county.
 2. In order to qualify for the Enterprise Unit discount and additional subsidy in 2010 you must be have at least two farms that would otherwise qualify to be separate Basic or Optional Units in the county and they both must have the lesser of 20 acres or 20% of the insured crop acres in the Enterprise Unit.
 3. Under the CRC policy the Enterprise Unit must also contain at least 50 acres.

If you are paying roughly \$20 per acre for coverage at the 75% level on an *Operational Unit* policy, you could get the same coverage on the *Enterprise Unit* plan for about \$8 per acre. Put another way, switching from the old operational units to enterprise units could allow you to go from the 75% level to the 85% for the same money. Because of the nature of many losses in Alabama, I would not recommend this change unless the savings were so significant. If you decide you want to change to the Enterprise Unit, make sure you are clear on the rules with your agent and make the proper election. This must be done by done by the Sales Closing Date (normally February 28 but March 1 this year by the Sunday rule).

Bob Goodman, 334-844-5633, bobg@auburn.edu