

COTTON STEP 2025 INSURANCE RULES

Each team can select a crop insurance plan and coverage level. Options include Yield Protection and Revenue Protection plans at coverage levels ranging from 50% to 85%. Yield Protection insures against low yields relative to a producer's historic yields. Revenue Protection insures against low yields and low harvest price relative to projected price.

Insurance selection must be made by May 15th. Teams that do not choose a plan will be enrolled in Yield Protection at the 50% level as the default. Once an insurance choice has been submitted, it cannot be changed for this year's contest.

Tables showing the insurance premium cost for each type of plan and coverage level are shown below. A crop insurance calculator is available on the STEP website (insurance tab) to further assist with your decision.

The cost of the insurance premium will be added to production costs in calculating each team's profit. An insurance proceed (indemnity payment) will be included in a team's profit calculation only if their actual yield or revenue is below their guaranteed yield or revenue, and if the team made a reasonable effort to manage the crop.

Total Cotton Acreage: 1,000 acres

Actual Production History (APH) Lint Yield: 1200 lbs/acre

Projected Cotton Lint Price: \$0.69/lb

Yield Protection (YP)

Coverage Level	Guaranteed Yield per Acre	Premium Cost per Acre
85%	1,020 lbs	\$41.79
80%	960 lbs	\$27.15
75%	900 lbs	\$17.91
70%	840 lbs	\$13.14
65%	780 lbs	\$10.52
60%	720 lbs	\$7.36
55%	660 lbs	\$5.78
50%	600 lbs	\$4.10

Revenue Protection (RP)

Coverage Level	Guaranteed Revenue per Acre	Premium Cost per Acre
85%	\$703.80	\$51.47
80%	\$662.40	\$33.75
75%	\$621.00	\$22.46
70%	\$579.60	\$16.37
65%	\$538.20	\$13.00
60%	\$496.80	\$8.82
55%	\$455.50	\$6.81
50%	\$414.00	\$4.76

Examples

Yield Protection with 75% coverage

A 75% coverage guarantee with an APH of 1200 lbs/acre, provides an insurance guaranteed yield of $0.75 \times 1200 = 900$ lbs/acre. If your actual harvest yield is below 900 lbs, you will receive an indemnity payment of the difference in pounds times the projected price. For example, if the actual harvest yield is 600 lbs/acre and the projected price is \$0.69/lb, you would receive an indemnity payment of $300 \text{ lbs/acre} \times \$0.69/\text{lb} = \$207$ per acre.

Revenue Protection with 75% coverage

A 75% coverage guarantee with an APH of 1200 lbs/acre, provides an insurance guaranteed revenue of 900 lbs/acre (guaranteed yield) \times \$0.69/lb (projected price) = \$621 per acre. If your actual harvest yield is 600 lbs/acre and the harvest price is \$0.65/lb, you would receive an indemnity payment of $\$621 - \390 ($600 \times \$0.65$) = \$231 per acre. With RP insurance, your guaranteed revenue is based on the higher of the projected price or harvest price. For example, if the harvest price is \$0.80/lb, your guaranteed revenue is \$720/acre ($900 \text{ lbs/acre} \times \$0.80/\text{lb}$). In that case, with an actual yield of 600 lbs/acre, you would receive an indemnity payment of $\$720 - \480 ($600 \times \$0.80$) = \$240 per acre.

The harvest price for Florida producers is determined by the average December futures price during the month of October.