



# Stacked Income Protection Plan (STAX) for Upland Cotton

## Risk Management Agency Fact Sheet



### What Is the Stacked Income Protection Plan?

The Stacked Income Protection Plan (STAX) is a crop insurance product for upland cotton that provides coverage for a portion of the expected revenue for your area. Most often your area will be your county, but may include other counties or even practices as necessary to obtain a credible amount of data to establish an expected yield and premium rate.

STAX may be purchased on its own, or in conjunction with another policy — including Yield Protection, Revenue Protection, Revenue Protection with the Harvest Price Exclusion, and any of the Area Risk Protection Insurance policies. The government will pay for 80 percent of the premium cost for STAX.

STAX will be available in all counties where crop insurance for upland cotton is currently offered.

### How Do I Purchase STAX?

You may purchase STAX the same way as for any crop insurance policy, through your crop insurance agent. You must also decide if you want to purchase STAX alone or with another crop insurance policy as identified above. We refer to this as a 'companion policy'.

If you choose to purchase STAX with a companion policy, it must be done by the sales closing date with the same

insurance company. The coverage level of the companion policy can affect the amount of coverage that STAX provides.

### How Does STAX Work?

STAX provides coverage for up to 20 percent of the expected area revenue. Loss payments begin when area revenue falls below 90 percent of its expected level — although lower levels of coverage may be selected. Loss payments reach their maximum when area revenue falls to 70 percent of its expected level — unless your companion policy has a coverage level above 70 percent in which case payments end sooner. The amount of coverage may also be increased or decreased by selection of a protection factor.

The amount of STAX coverage depends on the expected yield, projected price, coverage level, and protection factor. STAX pays a loss on an area wide basis, and an indemnity is triggered when there is an area loss in revenue.

It is easiest to explain how STAX coverage is determined through an example shown in the tables below. We'll use cotton with an expected crop value for the area of \$538.20 per acre (690 pounds at \$0.78 per pound). Assume the grower also purchases a Revenue Protection policy with a 75% coverage level — this is the 'companion policy'. (The purchase of the Revenue Protection policy is not necessary to purchase STAX.)

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| STEP | STAX COVERAGE CALCULATION                                                                                                                                                                                                                                               |         |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| A    | STAX begins to pay when area revenue falls below this percent of its expected level (grower may select from 90% down to 75%)                                                                                                                                            | 90%     |
| B    | STAX Endorsement pays out its full amount (liability) when area revenue falls to this percent of its expected level (equal to the higher of 70% or the coverage level percentage of the companion policy. In this case the companion revenue policy brings this to 75%) | 75%     |
| C    | Coverage Range of STAX (A - B)                                                                                                                                                                                                                                          | 15%     |
| D    | Protection factor (grower may change the amount of coverage by selecting a protection factor from 0.80 to 1.20)                                                                                                                                                         | 1.20%   |
| E    | Amount of STAX Protection (C x D x \$538.20)                                                                                                                                                                                                                            | \$96.88 |

The calculation of STAX coverage is described in the following table:

In this example, the STAX Endorsement begins to pay when area revenue falls below 90% of its expected level. The full amount of the STAX coverage is paid out when the area average revenue falls to 75%.

The dollar amount of STAX coverage is based on the coverage range and protection factor selected. In this example there are 15 percentage points of coverage from 90% down to 75% -- and the protection factor selected is 1.20. Fifteen percent of the expected area revenue, times the selected protection factor of 1.20, is \$96.88 (or  $15\% \times 1.20 \times \$538.20$ ). Thus, the STAX policy can cover up to \$96.88 in addition to what is covered by the companion policy.

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STAX payments are determined only by area average revenue or yield, and are not affected by whether a grower receives a payment on their companion policy (if purchased). So it is possible for a grower to experience an individual loss on his or her companion policy, but not trigger an area-based STAX payment (i.e. grower does poorly but the overall area does well), or vice-versa.

### How Much Does STAX Cost?

STAX provides coverage for shallow losses that are more likely, and your premium will reflect that higher risk. What balances this premium cost is the fact that STAX protects on an area basis and the government pays 80 percent of the premium.

The exact premium cost will depend on the crop, area, coverage range selected, and protection factor selected. You should consult your crop insurance agent for detailed price quotes.

### Where Is STAX Available?

STAX will be available in all counties where insurance coverage for upland cotton is currently offered. It will also be offered by practice (irrigated or non-irrigated) where possible.



The expected yield for STAX will be based on the historical average of yields reported to RMA by insured growers. In areas where the yield data are thin, counties will be combined in order to accumulate enough data to determine expected yields and premium rates.

If insurance coverage for upland cotton is not available in your county, you may be able to purchase STAX through a Written Agreement. You should consult your crop insurance agent for more information.

### **What Happens If I Purchase STAX and Signed Up for ARC or PLC?**

If you purchase STAX and enroll in ARC or PLC for cotton seed base acres on a farm, your STAX coverage for that farm will be cancelled and you must report the crop on that farm as covered by ARC or PLC on your acreage report. If you elect ARC or PLC but do not enroll in the elected program your STAX coverage will remain in effect. Farms that you have a share in that enrolled in ARC/PLC must be reported on your acreage report. If it is discovered that you have incorrectly reported and the information determined to be correct results in acreage that is ineligible for STAX the acreage will be ineligible for any STAX indemnity and you will still be required to pay 60 percent of the premium due.

FSA Election/Enrollment for ARC/PLC is March 15. **Regardless of FSA allowing for updated enrollment until September 30, RMA will use what the producer selects by March 15 for STAX.**

### **Examples:**

You may not participate in STAX on a farm if cotton seed base acres are enrolled in ARC or PLC.

- Example 1: If you have a farm with seed cotton base acres and elect and enroll in ARC or PLC and plant upland cotton you may not participate in STAX.
- Example 2: If you have a farm with wheat base acres and elect and enroll in ARC or PLC and plant upland cotton you may participate in STAX.
- Example 3: If you have a farm with seed cotton base acres and elect but do not enroll in ARC or PLC but plant upland cotton you may participate in STAX.

### **Where to Buy Crop Insurance**

All multi-peril crop insurance, including STAX policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at

[www.rma.usda.gov/Information-Tools/Agent-Locator](http://www.rma.usda.gov/Information-Tools/Agent-Locator).

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