UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
STACKED INCOME PROTECTION PLAN
COTTONSEED ENDORSEMENT

In return for your payment of premium for the coverage, this Endorsement will be attached to and made part of the Common Crop Insurance Policy, Basic Provisions and Stacked Income Protection Plan (STAX) Crop Provisions for the insured crop, subject to the terms and conditions described herein. This is a continuous endorsement. Refer to Section 2 of the Common Crop Insurance Policy.

Terms and Conditions

1. **Applicability**
   (a) You must have the STAX Cotton Crop Provisions in force for cotton lint to elect to insure cottonseed under this Endorsement.
   (b) You must elect this Endorsement in writing on or before the sales closing date for the crop year.
   (c) All planted acreage of the crop in the county that is insured by the STAX cotton lint policy must be insured under this Endorsement.
   (d) This Endorsement operates only in those counties where coverage is offered as specified in the actuarial documents.
   (e) Except when in conflict with this Endorsement, all provisions of the STAX cotton lint policy apply.

2. **Definitions**
   Cottonseed endorsement price -The amount contained in the actuarial documents which is the dollar amount per pound at which you may insure cottonseed.
   Conversion factor - A value representing the ratio of cottonseed to cotton lint yield published in the Special Provisions that represents our determination of the number of pounds of cottonseed that is associated with the expected area yield for cotton lint.
   Cotton lint - The fiber that is separated from the cottonseeds by a cotton gin.
   STAX cotton lint policy - The STAX Crop Provisions that insures cotton lint to which this Endorsement is attached.

3. **Protection Factors, Coverage Ranges, Yields, and Policy Protection**
   (a) The protection factor, coverage range, and area loss trigger of this Endorsement will be the protection factor, coverage range, and area loss trigger applicable to the corresponding type and practice of the STAX cotton lint policy.
   (b) The expected area yield and final area yield of this Endorsement will be the expected area yield and final area yield contained in the actuarial documents for the STAX cotton lint policy.
   (c) Your policy protection under this Endorsement for each type and practice is calculated as follows:
      (1) Multiply the expected area yield by the conversion factor;
      (2) Multiply the result of paragraph (1) by the cottonseed endorsement price;
      (3) Multiply the result of paragraph (2) by your coverage range;
      (4) Multiply the result of paragraph (3) by your protection factor;
      (5) Multiply the result of paragraph (4) by the number of acres; and

   (6) Multiply the result of paragraph (5) by your share in such acres.

4. **Report of Acreage**
   (a) You are not required to file a separate report of acreage when you elect this Endorsement.
   (b) Your policy protection for cottonseed will be determined from the accepted acreage report for the STAX cotton lint policy.

5. **Annual Premium and Administrative Fee**
   (a) You will owe a separate annual premium and administrative fee for this Endorsement, in addition to any amount owed for the STAX cotton lint policy.
   (b) The additional premium amount for this coverage will be determined by multiplying your policy protection under this Endorsement by the applicable premium rate.

6. **Causes of Loss**
   (a) This Endorsement provides protection against widespread loss of yield in a production area due to unavoidable natural causes.
   (b) Causes of loss that are not insurable under the STAX cotton lint policy will not be insurable under this Endorsement.

7. **Area Loss Trigger, Payment Factor, and Indemnity Calculations**
   (a) An indemnity is due under this Endorsement if the final area yield is less than the expected area yield multiplied by the area loss trigger.
   (b) If an indemnity is due, the payment factor for this Endorsement is calculated by:
      (1) Dividing the final area yield by the expected area yield;
      (2) Subtracting paragraph (1) from the area loss trigger; and
      (3) Dividing paragraph (2) by the coverage range to determine the payment factor.
   (c) Indemnities under this Endorsement are calculated by multiplying the policy protection by the payment factor.

8. **Examples**
   The following are examples of the calculation of the policy protection and indemnity of the STAX cottonseed endorsement. Your information will likely be different and you should consult the actuarial documents in your county and the policy information. The following facts are for illustration purposes only and apply to each of the examples.
   Producer A farms 100 acres in county X and has a 100 percent share in those acres. The actuarial documents in county X show that the expected area yield is 525 pounds per acre, the conversion factor is 1.40, and the

cottonseed endorsement price is $0.08. From the actuarial documents in county X, Producer A elects a 90 percent area loss trigger and a 20 percent coverage range for his cotton lint policy. Producer A selects a protection factor of 110 percent for his cotton lint policy. At the end of the insurance period, for county X, FCIC releases a final area yield for county X of 399 pounds.

Example of policy protection and indemnity:

Step 1: Calculate the Policy Protection

Formula: Expected area yield times the conversion factor times the cottonseed endorsement price times coverage range times protection factor times acres times share equals policy protection

525 pounds x 1.4 x $0.08 x 0.20 x 1.10 x 100 x 1.00 = $1,294 policy protection

Step 2: Calculate the Payment Factor

Formula: (Area loss trigger minus (final area yield divided by expected area yield)) divided by coverage range equals payment factor

$(0.90 - (399 \div 525)) \div 0.20 = 0.700$

Step 3: Calculate the Indemnity

Formula: Policy protection times payment factor equals indemnity

$1,294 times 0.700 = $906 indemnity