

Seed Cotton PLC/ARC Program for Upland Cotton
Beginning with the 2018 Crop
Updated February 8, 2017

Program:

Seed Cotton (SC) is designated as a covered commodity eligible for Title I ARC and PLC programs in the 2014 Farm Bill beginning with the 2018 crop year. Seed Cotton refers to unginned upland cotton that includes both lint and cottonseed.

Structure:

Seed Cotton MYA Price is a weighted average of the upland cotton lint price and the cottonseed price.

$$\text{SC MYA Price} = \frac{(\text{U.S. Upland Cotton Lint Production} * \text{U.S. Upland Cotton Lint MYA Price} + \text{U.S. Cottonseed Production} * \text{U.S. Cottonseed MYA Price})}{(\text{U.S. Upland Cotton Lint Production} + \text{U.S. Cottonseed Production})}$$

- NASS data is used for price and production
- Production is measured in pounds
- Lint and cottonseed prices are weighted based on annual shares of production

Seed Cotton Payment Yield will be based on the upland cotton lint payment yield.

$$\text{SC Payment Yield} = 2.4 * \text{Upland Cotton Lint Payment Yield}$$

- Upland Cotton Lint Payment Yield = Higher of current CCP lint yield or updated lint yield
- One-time opportunity to update the payment yield for upland cotton based on 90% of the 2008-2012 actual yield not counting years in which cotton was not grown

Seed Cotton PLC/ARC Payments will be made on 85% of farm's decoupled seed cotton base. The SC PLC payment per base acre is determined as follows:

$$\begin{aligned} \text{SC PLC Payment/Base Acre} &= (\text{SC Reference Price} - \max(\text{SC MYA Price}, \text{SC Price Floor})) \\ &* \text{SC Payment Yield} * 0.85; \\ \text{Payment} &= 0 \text{ if SC MYA Price} > \text{Reference Price.} \end{aligned}$$

- SC Reference Price is \$0.367/lb
- SC Price Floor is \$0.250/lb

PLC Example Based on NASS Estimates for 2016 Production and Prices:

- U.S. Upland Cotton Lint MYA Price (\$/lb) = \$0.671
- U.S. Cottonseed MYA Price (\$/lb) = \$0.097
- U.S. Upland Cotton Lint Production (lbs) = 16,601,000 bales * 480 lbs/bale = 7,968,480,000
- U.S. Cottonseed Production (lbs) = 10,738,000,000
- Assume Cotton Lint Payment Yield (lbs/acre) = 800
- SC Payment Yield (lbs/acre) = 800 * 2.4 = 1,920
- SC Price (\$/lb) = $(7,968,480,000 * \$0.671 + 10,738,000,000 * \$0.097) / (7,968,480,000 + 10,738,000,000) = \0.3415
 - 10,738,000,000)
- SC PLC Payment (\$/base acre) = $(\$0.3670 - \max(\$0.3415, \$0.2500)) * 1,920 * 0.85 = \41.62

Seed Cotton Base Acres will only be established through the conversion of generic base acres. Generic base acres are not in effect beginning with the 2018 crop.

For any farms with generic base and no covered commodities (including seed cotton) planted from 2009 through 2016, those generic base acres will become unassigned crop base and ineligible for ARC/PLC.

For all other farms with generic base, producers shall choose one of the following options to convert generic base acres to SC and other covered commodity base acres:

Option 1: Seed cotton base equal to higher of 80% of generic base or 2009–12 average seed cotton plantings, not to exceed total generic base – any unconverted generic base becomes unassigned crop base and ineligible for ARC/PLC; or

Option 2: All generic base converted proportionally based on 2009–12 average plantings of seed cotton and other covered commodities.

Farms failing to make the choice between Option 1 and Option 2 will be treated as if they chose Option 1.

Example of Determination of Seed Cotton Base Acreage:

Total cropland base on farm: 800 acres
Total generic base: 500 acres

2009-12 average planted acres:

Cotton: 300 acres
Corn: 200 acres
Peanuts: 200 acres
Soybeans: 100 acres

Option 1: Convert 400 acres of generic base to seed cotton base based on higher of:
80% * 500 generic base acres = 400;
2009-12 average planted cotton acres = 300.

or

Option 2: Reallocate 500 acres of generic base to base acres for the following crops:
Seed Cotton: $500 * (300/800) = 187.5$
Corn: $500 * (200/800) = 125.0$
Peanuts: $500 * (200/800) = 125.0$
Soybeans: $500 * (100/800) = 62.5$

A 1-Time ARC/PLC Election will be given to producers on a farm with seed cotton base. A farm failing to make a unanimous election between the two will be assumed to choose PLC for seed cotton.

For the 2018 crop, the **STAX** insurance product MAY be purchased for acres of upland cotton planted on a farm enrolled in the seed cotton ARC/PLC program. (Restrictions apply in subsequent crop years.)

The legislation does NOT create a non-recourse marketing assistance loan for seed cotton. The recourse loan for seed cotton established in 2014 Farm Bill remains in effect for the 2018 crop, but does not affect the ARC/PLC calculations.