

2018 Farm Bill Education

September 2019



Producers Cooperatives
Ginners Cottonseed Merchants
Warehouses Manufacturers

2018 Farm Bill Webinar Schedule

Date	Time
Thursday, September 19	8:00 am CST
Monday, September 23	8:00 am CST
Wednesday, September 25	8:00 am CST
Thursday, September 26	10:00 am CST

2018 Farm Bill Webinar Topics

- Key Differences in Title 1 Programs: 2014 vs 2018 Farm Bill
- ARC-CO and PLC Programs
- Seed Cotton Marketing Year Average (MYA) Price

Questions

- Seed Cotton PLC Provisions/Examples
- Seed Cotton ARC-CO Provisions/Examples
- Seed Cotton ARC-CO vs. PLC Examples

Questions

- Base Acres
- Payment Yield Update
- Marketing Loan Provisions
- Payment Limits & Eligibility
- Economic Adjustment Assistance for Textile Mills (EAATM)
- ARC/PLC Election & Enrollment
- STAX/SCO Eligibility
- Important Dates (ARC/PLC, Yield Update, Disaster Assistance, MFP)

Questions

- Additional Resources

Key Differences in Title 1 Programs: 2014 vs. 2018 Farm Bill

Provision	2014 Farm Bill	2018 Farm Bill
Base Acres	No restrictions on farms planted to grass, pasture, idle or fallow in any year	Base acres on farms planted entirely to grass or pasture, including cropland that was idle or fallow, from 2009 – 2017 are no longer eligible for ARC/PLC payments
ARC/PLC	One-time election for 2014-2018 crop years	One-time election for 2019/20 and 2020/21; annual election for 2021/22, 2022/23, 2023/24 crop years
ARC-CO Payments	Payment rates based on FSA administrative county for each farm	Payment rates based on county where each farm is physically located
ARC-CO Data Sources	Data sources for county yields included: NASS, RMA, and State Committee (STC) sources	Data sources for county yields used in order of precedence: RMA, NASS, and STC sources
ARC-CO Irrigated (I) and Non-Irrigated (NI) Yields	County must have at least 25% I acreage and 25% NI acreage for a crop based on 2008-2013 FSA planted acreage data	To qualify, one of the following must be met: 1) RMA data for I and NI must be available in 3 of the 5 years between 2013-2017 or 2) Using FSA data from 2013-2017, at least 10% of the acreage must be I and 10% NI and an avg of 5,000 acres was planted every year from 2013-2017

Key Differences in Title 1 Programs: 2014 vs. 2018 Farm Bill

Provision	2014 Farm Bill	2018 Farm Bill
PLC Reference Price vs. Effective Reference Price	Reference price = \$0.367 for seed cotton	Effective Reference Price = lesser of: 115% of the reference price or the greater of: \$0.367 or 85% of the Olympic Average MYA price for the previous 5-year period
PLC Payments	Payments made when effective price < reference price	Payments made when effective price < effective reference price
PLC Yield Updates	One-time opportunity to update PLC yields using 2008-2012 data (applied to 2018 PLC seed cotton payments)	One-time opportunity to update PLC yields using 2013-2017 data (applies to 2020 – 2023 PLC payments)

ARC-CO Program

- Provides revenue loss coverage at the county level
- Payments issued when actual county revenue < ARC-CO Guarantee
- ARC-CO Guarantee = 86% of previous 5-year national MYA price (excluding years with highest/lowest price) multiplied by the 5-year average county yield (excluding years with highest/lowest yield)
- ARC-CO payment = 85% of the base acres times the difference between the ARC-CO Guarantee and the Actual County Revenue
- Maximum Payment = 10% of the ARC-CO Guarantee

*If the county yield in any of the 5 years < 70% of the county T yield, then 70% of the T yield is substituted for each year the county yield is < 70% of the T yield

PLC Program

- Provides price loss coverage based on the national MYA price and individual payment yields
- Payments issued when the Effective Price < Effective Reference Price
 - Effective Price = higher of the MYA price or the national average Loan Rate (LR)
 - Effective Reference Price = lesser of: 115% of the reference price or the greater of: reference price or 85% of the Olympic Average MYA price for the previous 5-year period
- Payment Rate = (Effective Reference Price - Effective Price) * Payment Yield
- Payment = Payment Rate * Base Acres * 85%
- Maximum Payment Rate = Effective Reference Price – Price Floor (or Loan Rate)

Seed Cotton Provisions

- Seed cotton is the Title I program for upland cotton providing income protection for both cottonseed and cotton lint
- Seed cotton is a covered commodity eligible for PLC and ARC for the 2018 through 2023 crop years
- Seed Cotton Reference Price set at **\$0.367 per lb**
- Seed Cotton Price Floor (for purposes of PLC calculations) set at **\$0.25 per lb**

Seed Cotton MYA Price Calculation

- The Seed Cotton Price is a weighted average of the upland cotton lint price and the cottonseed price
- Weights are based on pounds of production of upland cotton lint and total cottonseed
- Prices of upland cotton and cottonseed are marketing year averages (MYA)
 - Marketing Year: Aug 1 – Jul 31
- **Seed Cotton MYA Price**
 - = ((U.S. Upland Cotton Lint Production * U.S. Upland Cotton Lint MYA Price)
 - + (U.S. Cottonseed Production * U.S. Cottonseed MYA Price))
 - / (U.S. Upland Cotton Lint Production + U.S. Cottonseed Production)

Seed Cotton MYA Price: Weights

Crop Year	Upland Lint Production (1,000 lbs)	Cottonseed Production (1,000 lbs)	Total Lint and Cottonseed Production (1,000 lbs)	Lint & Cottonseed Weights
2018/19	17,566,000 bales * 480 lbs/bale = 8,431,680	5,631,000 tons * 2,000 lbs/ton = 11,262,000	8,431,680 + 11,262,000 = 19,693,680	0.4281 – lint 0.5719 – seed
2019/20	21,145,000 bales * 480 lbs/bale = 10,149,600	6,770,000 tons * 2,000 lbs/ton = 13,540,000	10,149,600 + 13,540,000 = 23,689,600	0.4284 – lint 0.5716 – seed

*Based on September 2019 USDA WASDE and ERS Projections

Seed Cotton MYA Price Calculation

Crop Year	Lint & Cottonseed Weights	WASDE Upland Cotton Lint Price (\$/lb)	ERS Cottonseed Price (\$/lb)	Seed Cotton MYA Price (\$/lb)
2018/19	0.4281 – lint 0.5719 – seed	\$0.705	\$0.0760 or \$152/ton	$(0.4281 * \$0.705) + (0.5719 * \$0.0760) =$ $\$0.3018 + \$0.0435 = \mathbf{\$0.3453}$
2019/20	0.4284 – lint 0.5716 – seed	\$0.580	\$0.0785 or \$157/ton	$(0.4284 * \$0.580) + (0.5716 * \$0.0785) =$ $\$0.2485 + \$0.0449 = \mathbf{\$0.2933}$

*Based on September 2019 USDA WASDE and ERS Projections

2019/20 Seed Cotton MYA Price Matrix

Illustration of Seed Cotton Marketing Year Average Price per Pound										
Cottonseed MYA Price (\$/Ton)										
Lint MYA Price (\$/Lb)	\$130	\$135	\$140	\$145	\$150	\$155	\$157	\$160	\$165	\$170
\$0.50	\$0.251	\$0.253	\$0.254	\$0.256	\$0.257	\$0.258	\$0.259	\$0.260	\$0.261	\$0.263
\$0.58	\$0.286	\$0.287	\$0.288	\$0.290	\$0.291	\$0.293	\$0.293	\$0.294	\$0.296	\$0.297
\$0.60	\$0.294	\$0.296	\$0.297	\$0.298	\$0.300	\$0.301	\$0.302	\$0.303	\$0.304	\$0.306
\$0.65	\$0.316	\$0.317	\$0.318	\$0.320	\$0.321	\$0.323	\$0.323	\$0.324	\$0.326	\$0.327
\$0.70	\$0.337	\$0.338	\$0.340	\$0.341	\$0.343	\$0.344	\$0.345	\$0.346	\$0.347	\$0.348
\$0.75	\$0.358	\$0.360	\$0.361	\$0.363	\$0.364	\$0.366	\$0.366	\$0.367	\$0.368	\$0.370

QUESTIONS
(PLEASE SUBMIT ELECTRONICALLY
THROUGH THE Q&A ICON AT THE
BOTTOM OF ZOOM CLIENT)

Seed Cotton PLC Calculations

- Payment is made when the Reference Price exceeds the higher of the MYA Price and the Price Floor
- Seed Cotton PLC Payment Rate (\$/lb)
= Reference Price – the higher of (MYA Price, Price Floor)
- Seed Cotton Payment Rate = \$0 if Seed Cotton MYA Price is greater than \$0.367
- Example based on 2018/19 MYA price estimates
 - PLC Rate = $\max(0, \$0.367 - \max(\$0.3453, \$0.25)) = \$0.0217/\text{lb}$

Seed Cotton PLC Calculations

- Paid on 85% of the farm's decoupled seed cotton base
- Seed Cotton PLC Payment (\$/base acre)
= PLC Payment Rate * Payment Yield * 0.85
- Seed Cotton Yield = 2.4 * Upland Cotton Lint Yield
 - Ex. Lint Yield = 600 lbs, Seed Cotton Yield = 1,440 lbs
 - Ex. Lint Yield = 800 lbs, Seed Cotton Yield = 1,920 lbs
 - Ex. Lint Yield = 1,200 lbs, Seed Cotton Yield = 2,880 lbs

2018/19 Seed Cotton PLC Payment Example

Example:

2018/19 PLC Payment Rate

$$= \max(0, \$0.367 - \max(\$0.3453, \$0.25)) = \$0.0217/\text{lb}$$

2018/19 PLC Payment = $\$0.0217/\text{lb} * 1,920 \text{ lbs} * 0.85 = \$35/\text{base acre}$

Maximum PLC Rate (\$/lb)

$$= (\$0.367 - \$0.250) = \$0.117/\text{lb}$$

Maximum PLC Payment (\$/base acre)

$$= \$0.117/\text{lb} * 1,920 * 0.85 = \$191/\text{base acre}$$

2018/19 Seed Cotton PLC Payment Examples

Seed Cotton PLC Reference Price = \$0.3670 Seed Cotton MYA Price = \$0.3453			
Lint Payment Yield (lbs/acre)	Seed Cotton Payment Yield (lbs/acre)	Seed Cotton PLC Payment Calculation	Seed Cotton PLC Payment (\$/base acre)
500	1,200	$\$0.0217 * 1,200 * 0.85$	\$22
600	1,440	$\$0.0217 * 1,440 * 0.85$	\$27
700	1,680	$\$0.0217 * 1,680 * 0.85$	\$31
800	1,920	$\$0.0217 * 1,920 * 0.85$	\$35
900	2,160	$\$0.0217 * 2,160 * 0.85$	\$40
1,000	2,400	$\$0.0217 * 2,400 * 0.85$	\$44
1,100	2,640	$\$0.0217 * 2,640 * 0.85$	\$49
1,200	2,880	$\$0.0217 * 2,880 * 0.85$	\$53
1,300	3,120	$\$0.0217 * 3,120 * 0.85$	\$58
1,400	3,360	$\$0.0217 * 3,360 * 0.85$	\$62
1,500	3,600	$\$0.0217 * 3,600 * 0.85$	\$66

2019/20 Seed Cotton PLC Payment Examples

Seed Cotton PLC Reference Price = \$0.3670 Seed Cotton MYA Price = \$0.2933				
Lint Payment Yield (lbs/acre)	Seed Cotton Payment Yield (lbs/acre)	Seed Cotton PLC Payment Calculation	Seed Cotton PLC Payment (\$/base acre)	Maximum PLC Payment (\$/base acre)
500	1,200	$1,200 * \$0.0737 * 0.85$	\$75	\$119
600	1,440	$1,440 * \$0.0737 * 0.85$	\$90	\$143
700	1,680	$1,680 * \$0.0737 * 0.85$	\$105	\$167
800	1,920	$1,920 * \$0.0737 * 0.85$	\$120	\$191
900	2,160	$2,160 * \$0.0737 * 0.85$	\$135	\$215
1,000	2,400	$2,400 * \$0.0737 * 0.85$	\$150	\$239
1,100	2,640	$2,640 * \$0.0737 * 0.85$	\$165	\$263
1,200	2,880	$2,880 * \$0.0737 * 0.85$	\$180	\$286
1,300	3,120	$3,120 * \$0.0737 * 0.85$	\$195	\$310
1,400	3,360	$3,360 * \$0.0737 * 0.85$	\$210	\$334
1,500	3,600	$3,600 * \$0.0737 * 0.85$	\$226	\$358

2019/20 Seed Cotton Payment Matrix

Illustration of Seed Cotton PLC Payment per Base Acre										
	Reference Price		\$0.367		Lint Payment Yield		800			
					Seed Cotton Payment Yield		1,920			
Cottonseed MYA Price (\$/Ton)										
Lint MYA Price (\$/Lb)	\$130	\$135	\$140	\$145	\$150	\$155	\$157	\$160	\$165	\$170
\$0.50	\$189	\$186	\$184	\$182	\$179	\$177	\$176	\$175	\$172	\$170
\$0.58	\$133	\$130	\$128	\$126	\$123	\$121	\$120	\$119	\$116	\$114
\$0.60	\$119	\$116	\$114	\$112	\$109	\$107	\$106	\$105	\$102	\$100
\$0.65	\$84	\$82	\$79	\$77	\$75	\$72	\$71	\$70	\$68	\$65
\$0.70	\$49	\$47	\$44	\$42	\$40	\$37	\$36	\$35	\$33	\$30
\$0.75	\$14	\$12	\$9	\$7	\$5	\$2	\$1	\$0	\$0	\$0

2019/20 Seed Cotton ARC-CO Example Calculations

Benchmark Price (\$/lb)	Benchmark Yield (lbs/acre)	Benchmark Revenue (\$/acre)	ARC-CO Guarantee (\$/acre)	Max ARC-CO Payment (\$/base acre)
\$0.367	$800 * 2.4 = 1,920$	$\$0.367 * 1,920 = \705	$\$705 * 0.86 = \606	$\$705 * 10\% = \71 $* 85\% = \$60$

Actual County Yield (lbs/acre)	Seed Cotton MYA Price (\$/lb)	Actual County Revenue (\$/acre)	Revenue Loss (\$/acre)	ARC-CO Payment (\$/base acre)	
Below Average	$700 * 2.4 = 1,680$	$\$0.2933$	$1,680 * \$0.2933 = \493	$\$606 - \$493 = \$113$	$\$71 * 85\% = \60
Average	$800 * 2.4 = 1,920$	$\$0.2933$	$1,920 * \$0.2933 = \563	$\$606 - \$563 = \$43$	$\$43 * 85\% = \37
Above Average	$850 * 2.4 = 2,040$	$\$0.2933$	$2,040 * \$0.2933 = \598	$\$606 - \$598 = \$8$	$\$8 * 85\% = \7

2019/20 Seed Cotton ARC-CO vs. PLC Examples

Actual County Yield (lbs/acre)		Seed Cotton MYA Price (\$/lb)	Seed Cotton Payment Yield (lbs/acre)	Estimated ARC-CO Payment (\$/base acre)	Estimated PLC Payment (\$/base acre)
Below Average	1,680	\$0.2933	1,920	\$60	\$120
Average	1,920	\$0.2933	1,920	\$37	\$120
Above Average	2,040	\$0.2933	1,920	\$7	\$120

Based on this example:

Maximum ARC Payment: \$60/base acre

Maximum PLC Payment: \$191/base acre

QUESTIONS
(PLEASE SUBMIT ELECTRONICALLY
THROUGH THE Q&A ICON AT THE
BOTTOM OF ZOOM CLIENT)

Base Acres

- No change in Seed Cotton base acres and unassigned base resulting from the 2018 conversion of generic base acres
 - Unassigned base acres are ineligible for ARC/PLC payments
- Other crop base acres in permanent grass/pasture or fallow for the entire period of 2009-2017 will no longer be eligible for ARC/PLC from 2019 - 2023
 - Base acres will be maintained with FSA
 - Grass/pasture acreage eligible for CSP Grasslands Program

Payment Yield Update

- Effective for 2020 crop, 1-time opportunity to update the 2018 payment yields on all crop bases on farm by farm and commodity by commodity basis
- For cotton, based on 81% of average farm yields from 2013-2017 (only years that crop was planted are included in the average)
 - 75% of county average yield for 2013-2017 used as yield plug for any years where the farm's yield is below that level

Payment Yield Update: Acceptable Records

- Owners or operators will certify to an actual yield for upland cotton that was planted on the farm for each year during 2013-2017
- The certified yield shall be reported at the farm level and must be supported by acceptable production evidence if requested by FSA
- Acceptable evidence:
 - RMA yield records
 - NAP yield records
 - Production data (including gin bale listings, warehouse receipts, and CMA/DMA/LSA records)
 - FSA loan records

Marketing Loan Provisions

- Maintains current upland cotton loan formula based on 2-year moving average of AWP, but limits the annual decline to 2% of the previous year's loan rate
- Based on current market expectations, marketing loan provisions may be in effect for the 2019/20 crop (refer to NCC marketing loan document on website)
- Increases ELS loan rate (LR) to \$0.95/lb
 - Adjusts max price trigger of the ELS competitiveness program from 134% of LR to 113% of LR so the adjustment does not result in the program triggering more often

Payment Limits and Program Eligibility

- Maintained \$125K limit/person with separate limit for peanuts
- Maintained \$900K AGI limit
- No changes in actively engaged provisions
- Expanded family definition for actively engaged purposes – lineal family member now includes nieces, nephews and first cousins
- MLG/LDPs not included in \$125K limit
- Maintain commodity certificates for loan redemptions
- Budget sequestration for ARC/PLC applied before limits, rather than applying the limit and then reducing the payments for sequestration

Upland Cotton Economic Adjustment Assistance for Textile Mills (EAATM)

- Maintains payment rate for EAATM at \$0.03/lb and fully funds the program for the 10-yr baseline period
- Updated EAATM user agreement clarifying key requirements to strengthen program oversight
 - Eligible expenditures
 - In-service requirements for purchased equipment
 - Carryover of EAATM funds and expenditures
 - Recordkeeping and pre-approvals

ARC/PLC Election and Enrollment

- The ARC/PLC election for the 2019/20 crop year will also apply to the 2020/21 crop year
 - Producers will not be able to make a new ARC/PLC election for the 2020/21 crop year but will still need to enroll in ARC/PLC for the 2020/21 crop year
- Starting with the 2021/22 crop year, and each crop year thereafter through 2023/24, the producers on a farm may change the election of ARC/PLC on a year-to-year basis

Crop Year	ARC/PLC Election	ARC/PLC Enrollment
2019/20	YES	YES
2020/21	NO	YES
2021/22	YES	YES
2022/23	YES	YES
2023/24	YES	YES

STAX/SCO Eligibility 2020/21 – 2023/24

- STAX

- Producers of upland cotton who choose to enroll seed cotton base acres in ARC/PLC are ineligible for STAX on planted cotton acres on that farm
 - Annual enrollment for ARC/PLC is required, so producers can choose not to enroll a farm in ARC/PLC for a particular year and purchase STAX
 - Producers can enroll other commodities on the farm in ARC/PLC and still remain eligible for STAX (as long as seed cotton base acres are not enrolled in ARC/PLC)

- SCO

- Producers who elect and enroll in PLC also have the option of purchasing SCO
- Producers of covered commodities who elect ARC are ineligible for SCO on their planted acres

ARC/PLC Enrollment & Payment Yield Update

Crop Year	Action	Time
2019/20	Elect/Enroll	September 3, 2019 – March 15, 2020
2020/21	Enroll	October 7, 2019 – June 30, 2020
2020/21	Update Payment Yields	October 7, 2019 – June 30, 2020

Other Key Dates for USDA Programs

Program	Date
2018 & 2019 WHIP+ Disaster Program	Sign-up began on September 11, 2019
2018/19 Seed Cotton ARC/PLC Payments	After November 1, 2019
2019 MFP Payments	1 st Tranche – August 2019 2 nd Tranche – November 2019 3 rd Tranche – January 2020
2019/20 Seed Cotton ARC/PLC Payments	After October 1, 2020

QUESTIONS
(PLEASE SUBMIT ELECTRONICALLY
THROUGH THE Q&A ICON AT THE
BOTTOM OF ZOOM CLIENT)

Additional Resources

- NCC 2018 Farm Bill Information
 - <http://www.cotton.org/issues/2018/fminfo.cfm>
- NCC Seed Cotton ARC/PLC Program Information
 - <http://www.cotton.org/econ/govprograms/index.cfm>
- FSA ARC/PLC Program Information
 - https://www.fsa.usda.gov/programs-and-services/arcplc_program/index

Thank you for your support!



Producers Cooperatives

Ginners Cottonseed Merchants

Warehouses Manufacturers