



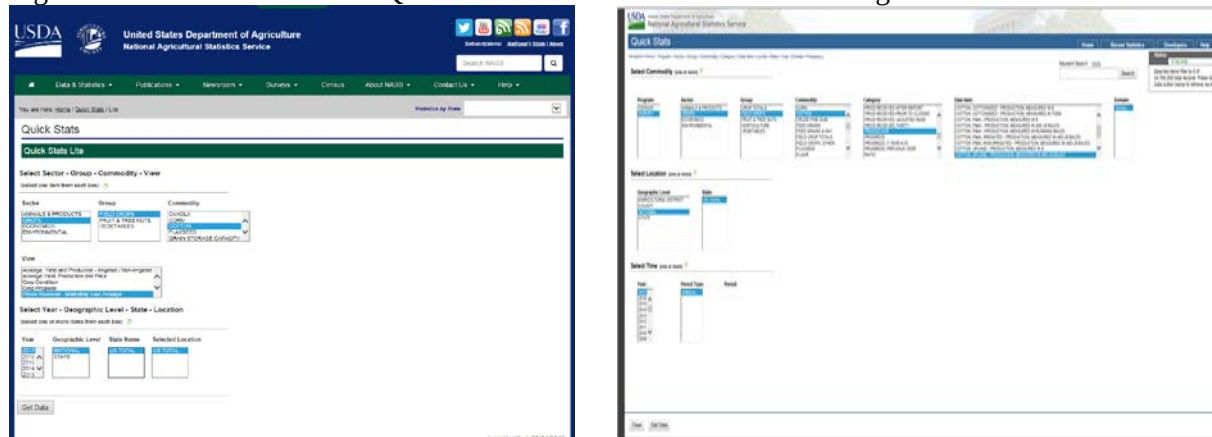
Sourcing Seed Cotton Program Pricing and Production Information

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This report serves as an informational source for growers who are interested in projecting potential PLC program payments for the new seed cotton program for the 2018 crop year. Given the nature of the seed cotton program design, upland cotton lint prices per pound and cotton seed per ton are used in formulating the seed cotton price per pound. Seed cotton price consists of the weighted proportional share between the cotton lint price per lb. and the cottonseed price per lb. These weighted proportional shares are combined and comprise the seed cotton price per pound that is then compared against the congressionally mandated seed cotton reference price of \$0.367 per pound. If this calculated seed cotton price falls below the mandated reference price of \$0.367, then the difference between these two prices constitutes the PLC payment rate.

Producers will need to consult the USDA-NASS website https://www.nass.usda.gov/Quick_Stats/Lite/ as to be able to obtain marketing year pricing information for both cotton lint and cotton seed. The USDA-NASS also provides information on upland cotton production, expressed in the number of bales produced in any given year in addition to the tons of cotton seed produced in that year. Figures 1 and 2.

Figures 1 and 2. USDA NASS Quick Stats for Cotton Lint & Seed Pricing/Production Information.



For illustrative purposes, information for the 2017 crop year is applied to estimate a potential seed cotton PLC program payment. For 2017, the national upland cotton lint price was \$0.674/lb. and the cotton seed price was \$0.069/lb. (\$139/ton). In the 2017 crop year, there were 20,223,000 bales (480#) (9,707,040,000 lbs.) of upland cotton produced. In 2017, 6,422,000 tons (12,844,000,000 lbs.) of cotton seed were produced. The total pounds of lint and seed produced were 22,551,040,000, representing a 43% weighted share for lint and 57% weighted share for cottonseed. These weighted shares are applied to aforementioned lint and cottonseed prices per lb. so as to formulate the actual seed cotton price. The seed cotton price for 2017 is \$0.330/lb. This is below the reference price of \$0.367 hence triggering a

PLC payment rate of \$0.037/lb. This payment rate is then multiplied by the farm's seed cotton PLC program yield. Payments are made on 85% of the seed cotton base acres. So for example a farm with a 2,400/lb. program yield would receive a farm program payment of \$76.08/base acre.

In an effort to illustrate how this data is utilized in formulating a seed cotton price, USDA-NASS production and price data are present for the 2008-2017 crop years. This is done in an effort to show how weighted shares change given national price/production figures for lint and cottonseed, thus changing payment rates over time. Tables 1 and 2.

Table 1. Cotton Lint and Seed Production Data & Weighted Share Values.

Year	# Bales	Lbs. Lint	Cotton Seed Tons	Lbs. Cotton Seed	Total Lbs.	% Lint Share	% Seed Share
2008	12,394,500	5,949,360,000	4,300,300	8,600,600,000	14,549,960,000	0.40889	0.59111
2009	11,782,600	5,655,648,000	4,148,800	8,297,600,000	13,953,248,000	0.40533	0.59467
2010	17,598,000	8,447,040,000	6,096,100	12,192,200,000	20,639,240,000	0.40927	0.59073
2011	14,722,000	7,066,560,000	5,370,000	10,740,000,000	17,806,560,000	0.39685	0.60315
2012	16,534,000	7,936,320,000	5,666,000	11,332,000,000	19,268,320,000	0.41188	0.58812
2013	12,275,000	5,892,000,000	4,203,000	8,406,000,000	14,298,000,000	0.41209	0.58791
2014	15,753,000	7,561,440,000	5,125,000	10,250,000,000	17,811,440,000	0.42453	0.57547
2015	12,455,000	5,978,400,000	4,043,000	8,086,000,000	14,064,400,000	0.42507	0.57493
2016	16,601,000	7,968,480,000	5,369,000	10,738,000,000	18,706,480,000	0.42597	0.57403
2017	20,223,000	9,707,040,000	6,422,000	12,844,000,000	22,551,040,000	0.43045	0.56955

Table 2. Cotton Lint and Seed Pricing Data and Seed Cotton PLC Program Price.

Year	Cotton Lint Price /lb.	Cotton Seed Price/Ton	Seed Cotton Price	SC Reference Price	PLC Payment Rate	PLC Program Yield	Payment Per Base Acre
2008	\$0.478	\$223	\$0.261	\$0.367	\$0.106	2,400	\$215.51
2009	\$0.629	\$158	\$0.302	\$0.367	\$0.065	2,400	\$132.74
2010	\$0.815	\$161	\$0.381	\$0.367	\$0.000	2,400	\$0.00
2011	\$0.883	\$260	\$0.429	\$0.367	\$0.000	2,400	\$0.00
2012	\$0.725	\$252	\$0.373	\$0.367	\$0.000	2,400	\$0.00
2013	\$0.779	\$246	\$0.393	\$0.367	\$0.000	2,400	\$0.00
2014	\$0.613	\$194	\$0.316	\$0.367	\$0.051	2,400	\$103.93
2015	\$0.612	\$227	\$0.325	\$0.367	\$0.042	2,400	\$84.87
2016	\$0.680	\$195	\$0.346	\$0.367	\$0.021	2,400	\$43.59
2017	\$0.674	\$139	\$0.330	\$0.367	\$0.037	2,400	\$76.08

Note: The seed cotton program will be applicable for the 2018 crop year. Information presented in Tables 1 and 2 serve for illustrative purposes and do not represent official USDA estimates for the 2018 program.

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Information contained in this report is presented for educational purposes only.



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