

Seed Cotton Program Mechanics

Seed Cotton Program Workshop

Winnsboro, LA

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Presented by Larry Falconer – Extension Economist



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Seed Cotton Program Mechanics

- Background
- Generic Base Distribution Options
- Seed Cotton Payment Yield Calculations
- Seed Cotton PLC Payment Example
- Seed Cotton ARC-CO Payment Calculation
- Questions



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Seed Cotton Program Mechanics

- Legislation titled “Bipartisan Budget Act of 2018” was passed and signed on February 9, 2018.
- In that Act, the section titled “Division F-Improvements to Agriculture Programs” designated Seed Cotton (SC) as a covered commodity by amending Section 1111(6) of the Agricultural Act of 2014.
- SC that is defined in the legislation as unginned upland cotton (includes lint and seed) is now eligible for Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs under the 2014 Farm Bill.



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Seed Cotton Base Acres

- Seed Cotton base acres will be established by the conversion of generic base acres.
- Generic base acres will no longer be in effect beginning with the 2018 crop year.
- 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.



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Seed Cotton Base Acres (continued)

- For any farm with generic base that planted covered commodities on that farm from 2009 to 2016 the owner will have 2 options to convert generic base acres for that farm as follows:
 - Option 1-a: Seed cotton base equal to higher of 80% of generic base with 20% unconverted generic base designated as unassigned crop base and ineligible for ARC/PLC
 - Option 1-b: Seed cotton base equal to 2009–2012 average seed cotton plantings, not to exceed total generic base – any unconverted generic base is designated as unassigned crop base and ineligible for ARC/PLC;
 - Option 2: All generic base converted proportionally based on 2009–2012 average plantings of seed cotton and other covered commodities. Under this option, there would be no unassigned crop base for the farm.



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Seed Cotton Base Acres (continued)

DCP Base Acres and Yields for FSN 1057

Crop	Base Acres	CCP Yield
Cotton	749.8	774
Soybeans	0.0	0
Corn	0.0	0
Wheat	170.0	41
Long Grain Rice	173.9	3983
Total Base Acres	1093.7	



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Seed Cotton Base Acres (continued)

Planting History for FSN 1057 with 749.8 generic base acres.

	Planted Acres				2009-2012 Average
	2009	2010	2011	2012	
Wheat	0	0	0	0	0.0
Corn	809	730.2	342.3	665.4	636.7
Grain Sorghum	0	0	0	0	0.0
Barley	0	0	0	0	0.0
Oats	0	0	0	0	0.0
Long Grain Rice	0	342.3	0	0	85.6
Medium Grain Rice	0	0	0	0	0.0
Soybeans	314.1	51.5	475.7	90.1	232.9
Peanuts	0	0	0	0	0.0
Cotton	0	0	298.3	332.4	157.7
Non-Program Crop	0	0	0	0	0.0
	1,123.1	1,124.0	1,116.3	1,087.9	1,112.8



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Seed Cotton Base Acres (continued)

Generic Base Conversion Results

	Option 1-a	Option 1-b	Option 2
Wheat	0.0	0.0	0.0
Corn	0.0	0.0	429.0
Grain Sorghum	0.0	0.0	0.0
Barley	0.0	0.0	0.0
Oats	0.0	0.0	0.0
Long Grain Rice	0.0	0.0	57.7
Medium Grain Rice	0.0	0.0	0.0
Soybeans	0.0	0.0	156.8
Peanuts	0.0	0.0	0.0
Seed Cotton	599.8	157.7	106.3
Unassigned Base	150.0	592.1	0.0
Total	749.8	749.8	749.8



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Seed Cotton Payment Yield

- The farm's Seed Cotton payment yield will be based on either the farm's current CCP lint yield or an updated lint yield calculated based on 90% of the farm's 2008-2012 actual lint yields, excluding the years in which cotton was not grown on farm.
- The conversion of either the farms CCP lint yield or updated lint yield to the Seed Cotton payment yield is accomplished by multiplying the lint yield by the statutory conversion factor of 2.4.



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Seed Cotton Yield Calculation for the FSN 1057

Year	FSN 1057 Lint Yield - Pounds per Acre
2012	1321
2011	1332
2010	
2009	
2008	
2008-2012 Average Yield	1326.5
Statutory Lint Yield Adjustment Factor	90%
A. Adjusted Lint Yield- Pounds/Acre	1194
B. FSN 1057 CCP Yield-Pounds/Acre	774
FSN 1057 Updated Lint Yield (Greater of A. or B.)	1194
Statutory Lint to Seed Cotton Adjustment Factor	2.4
FSN 1057 Seed Cotton PLC Payment Yield (lbs/acre)	2,866



Seed Cotton MYA Price

- As with PLC programs for other Title I covered commodities, FSA will use marketing year average (MYA) prices based on National Agricultural Statistics Service (NASS) price data and will make PLC payments when the MYA price falls below the statutory reference price for the covered commodity.
- The Seed Cotton statutory reference price is \$0.367 per pound.
- FSA will calculate the Seed Cotton MYA as a weighted average of the upland cotton lint price and the cottonseed price reported by NASS for the marketing year.



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SC PLC Payment Calculation

FSN 1057 SC Payment Yield (lbs/acre)		2,866
SC PLC Projected Payment Rate (\$/lb)	\$	0.005
Payment Reduction Percentage		85%
FSN 1057 Payment Rate (\$/base acre)	\$	12.18

- Based on this farm's Seed Cotton yield of 2,866 pounds per acre and a Seed Cotton PLC payment rate of .005 per pound, the expected payment rate for 2018/2019 would be \$12.18 per base acre.



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Expected 2018/2019 Payments for Alternative Base Acre Update Scenarios for FSN 1057

	Calculated Distributed Generic Base Acres			Expected 2018/19 ARC/PLC Payment Rate per Base Acre	Expected 2018/19 Payment to Distributed Generic Base Acres		
	Option 1-a	Option 1-b	Option 2		Option 1-a	Option 1-b	Option 2
Wheat	0	0	0	\$ -	\$ -	\$ -	\$ -
Corn	0	0	429	\$ -	\$ -	\$ -	\$ -
Grain Sorghum	0	0	0	\$ -	\$ -	\$ -	\$ -
Barley	0	0	0	\$ -	\$ -	\$ -	\$ -
Oats	0	0	0	\$ -	\$ -	\$ -	\$ -
Long Grain Rice	0	0	57.7	\$ 129.09	\$ -	\$ -	\$ 7,448.49
Medium Grain Rice	0	0	0	\$ -	\$ -	\$ -	\$ -
Soybeans	0	0	156.8	\$ -	\$ -	\$ -	\$ -
Peanuts	0	0	0	\$ -	\$ -	\$ -	\$ -
Seed Cotton	599.8	157.7	106.3	\$ 12.18	\$ 7,305.56	\$ 1,920.79	\$ 1,294.73
					\$ 7,305.56	\$ 1,920.79	\$ 8,743.22



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Agricultural Risk Coverage-County (ARC-CO) Program Review

- ARC Benchmark revenue = 5 year Olympic average yield (county) x 5 year Olympic average MYA price.
- Payment cannot exceed 10% of benchmark revenue, ARC guarantee is 86% of benchmark



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Seed Cotton ARC-CO Benchmark Yield and Price Calculation Example

County Name	Yield Type	2013 (county yield or 70% of T)	2014 (county yield or 70% of T)	2015 (county yield or 70% of T)	2016 (county yield or 70% of T)	2017 (NASS county yield)	2018 Bench Mark Yield (2013-17 olympic avg)
Coahoma	All	3,118	3,120	2,777	3,074	2,410	2,990

Year	Annual Benchmark Price
2013/2014	\$ 0.3993
2014/2015	\$ 0.3670
2015/2016	\$ 0.3670
2016/2017	\$ 0.3670
2017/2018 P	\$ 0.3670

For Benchmark Yield Exclude 2013 and 2017 Values, and average 2014, 2015 and 2016 values.

For Benchmark Price Exclude 2013 and 2014 Values. Result is \$0.3670 for 2018/2019 Benchmark Price.



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2018/2019 Seed Cotton ARC-CO Payment Estimate – 3 year average yield and mid-point price projection.

County Name	Yield Type	2018 Benchmark Revenue	2018 Guarantee Revenue	2018 Maximum Payment Rate	2018 Estimated Yield*	2018 Estimated National Price**	2018 Estimated Revenue	Estimated 2018 Formula Payment Rate	Estimated 2018 Payment Rate	Estimated 2018 Payment per Base Acre
Bolivar	All	\$1,012.19	\$870.48	\$101.22	2,851	\$0.3627	\$1,034.06	\$0.00	\$0.00	\$0.00
Carroll	All	\$877.86	\$754.96	\$87.79	2,277	\$0.3627	\$825.87	\$0.00	\$0.00	\$0.00
Coahoma	All	\$1,097.33	\$943.70	\$109.73	2,754	\$0.3627	\$998.88	\$0.00	\$0.00	\$0.00
DeSoto	All	#N/A	#N/A	#N/A	#N/A	\$0.3627	#N/A	#N/A	#N/A	#N/A
Grenada	All	\$921.17	\$792.21	\$92.12	2,466	\$0.3627	\$894.42	\$0.00	\$0.00	\$0.00
Holmes	All	\$1,025.77	\$882.16	\$102.58	2,547	\$0.3627	\$923.80	\$0.00	\$0.00	\$0.00
Humphreys	All	\$1,101.73	\$947.49	\$110.17	2,650	\$0.3627	\$961.16	\$0.00	\$0.00	\$0.00
Issaquena	All	\$998.97	\$859.11	\$99.90	2,557	\$0.3627	\$927.42	\$0.00	\$0.00	\$0.00
Leflore	All	\$1,041.91	\$896.04	\$104.19	2,620	\$0.3627	\$950.27	\$0.00	\$0.00	\$0.00
Montgomery	All	\$903.92	\$777.37	\$90.39	2,467	\$0.3627	\$894.78	\$0.00	\$0.00	\$0.00
Panola	All	\$1,020.63	\$877.74	\$102.06	2,635	\$0.3627	\$955.71	\$0.00	\$0.00	\$0.00
Quitman	Irrigated	\$1,133.66	\$974.95	\$113.37	2,850	\$0.3627	\$1,033.70	\$0.00	\$0.00	\$0.00
Quitman	Nonirrigated	\$958.97	\$824.71	\$95.90	2,503	\$0.3627	\$907.84	\$0.00	\$0.00	\$0.00
Sharkey	All	\$1,089.99	\$937.39	\$109.00	2,681	\$0.3627	\$972.40	\$0.00	\$0.00	\$0.00
Sunflower	All	\$1,032.37	\$887.84	\$103.24	2,460	\$0.3627	\$892.24	\$0.00	\$0.00	\$0.00
Tallahatchie	All	\$1,136.23	\$977.16	\$113.62	2,963	\$0.3627	\$1,074.68	\$0.00	\$0.00	\$0.00
Tate	All	\$947.59	\$814.93	\$94.76	2,378	\$0.3627	\$862.50	\$0.00	\$0.00	\$0.00
Tunica	All	\$1,036.04	\$890.99	\$103.60	2,736	\$0.3627	\$992.35	\$0.00	\$0.00	\$0.00
Warren	All	#N/A	#N/A	#N/A	#N/A	\$0.3627	#N/A	#N/A	#N/A	#N/A
Washington	All	\$956.04	\$822.19	\$95.60	2,401	\$0.3627	\$870.84	\$0.00	\$0.00	\$0.00
Yazoo	All	\$1,032.37	\$887.84	\$103.24	2,512	\$0.3627	\$911.10	\$0.00	\$0.00	\$0.00



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Questions?



larry.falconer@msstate.edu

662-686-3238



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