



Generic Base Conversion/Reallocation Decision Tool for the 2018 CY

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Under the new seed cotton program, cotton will now be eligible to receive support beginning with the 2018 crop year. The 2018 crop year also signals the end of generic base acres. Similar to an option made prior to farm bill implementation, landowners will have the option to convert generic acres into seed cotton base acres and/or other covered commodities planted to generic acres based on the farm's 2009 to 2012 planting history. Under the seed cotton program, a cotton seed program yield will be established for a farm. That program yield will be equal to the farm's counter-cyclical payment yield established in the 2008 farm bill or 90% of the farm's 2008 to 2012 average cotton lint yield multiplied by a factor of 2.40.

Landowners will have to elect to reallocate all generic base acres on the farm. Any future PLC payments will be made on base acres and *not* on planted acres (e.g. payments will be decoupled from production). In the case of a farm where there were no covered commodities (included seed cotton) planted between 2009 through 2016, generic acres will be allocated to "unassigned crop base."

If the farm has a recent history of planting covered commodities, generic base can be allocated to seed cotton base in an amount equal to: (option 1) the greater of 80% of the generic base acres on the farm; or the average number of seed cotton acres planted during the 2009 through 2012 crop years (not to exceed total generic base acres on the farm); or (option 2) base acres for covered commodities reflective of that farm's 2009 through 2012 planting history.

Decision Support

In efforts to assist cotton and grain producers, a Microsoft® Excel spreadsheet was developed to present each generic base acre conversion/reallocation option relative to the farm's 2009 through 2012 planting history. Figure 1. Producers are required to enter their total number of generic base acres for the farm (**Cell D2**) along with their covered commodity planting history from 2009 through 2012 for corn, cotton, rice, peanuts, grain sorghum, soybeans, and wheat (**Cells B5:E12**). This is the only producer-specified data that is required.

The decision tool presents the amount of seed cotton base, appearing in **red text**, (Cell B16) and unassigned base (Cell B17) under the *Generic Base Acre Conversion (Option #1)* heading. Under the parameters of the seed cotton program, producers also have the option of reallocating generic base to the proportionate share of their covered commodity plantings from 2009 through 2012; referred under the *Generic Base Acre Reallocation (Option #2)* heading. Individualized planting information is duplicated (Cells B21:E28) so that the model can determine the average plantings and allocative proportional share of such plantings to the amount of generic acres on the farm. Results from Option #2 appear in **red text** and is presented in Cells H21:H28 for each planted covered commodity. This model is replicated for up to five FSA farms so that this management decision can be evaluated relative to varying planting history.

Figure 1. Screenshot of the generic base acre decision tool.

	A	B	C	D	E	F	G	H	I
1	Seed Cotton Program Option: Convert Generic Base Acres to Seed Cotton Base Acres OR Reallocate Generic Base Acres								
2	Total Generic Base on Farm		→		300.00				
3									
4	Planted Acreage	2009	2010	2011	2012	Average			
5	Corn	300.00	150.00	300.00	0.00	187.50			
6	Cotton	0.00	0.00	100.00	600.00	175.00			
7	Rice (Long Grain)	0.00	0.00	0.00	0.00	0.00			
8	Rice (Medium Grain)	0.00	0.00	0.00	0.00	0.00			
9	Peanuts	0.00	0.00	0.00	0.00	0.00			
10	Sorghum	0.00	0.00	0.00	0.00	0.00			
11	Soybeans	500.00	700.00	600.00	400.00	550.00			
12	Wheat	200.00	150.00	0.00	0.00	87.50			
13	Total Plantings	1000.00							
14									
15	Generic Base Acre Conversion (Option #1)								
16	Seed Cotton Base	240.00							
17	Unassigned Base	60.00							
18									
19	Generic Base Acre Reallocation (Option #2)								
20	Planted Acreage	2009	2010	2011	2012	Average	All. Percent	Reall. Base Acres	
21	Corn	300.00	150.00	300.00	0.00	187.50	0.188	56.25	
22	Seed Cotton	0.00	0.00	100.00	600.00	175.00	0.175	52.50	
23	Rice (Long Grain)	0.00	0.00	0.00	0.00	0.00	0.000	0.00	
24	Rice (Medium Grain)	0.00	0.00	0.00	0.00	0.00	0.000	0.00	
25	Peanuts	0.00	0.00	0.00	0.00	0.00	0.000	0.00	
26	Sorghum	0.00	0.00	0.00	0.00	0.00	0.000	0.00	
27	Soybeans	500.00	700.00	600.00	400.00	550.00	0.550	165.00	
28	Wheat	200.00	150.00	0.00	0.00	87.50	0.088	26.25	
29	Total Plantings	1000.00					1.000	300.00	
30									
31									
32									
33									
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35									
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40									

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Farm 1
Farm 2
Farm 3
Farm 4
Farm 5
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READY

Formulation and Mechanics

Producers, upon enrolling in the seed cotton ARC or PLC programs, will be called upon to decide between two generic acreage reallocation options, herewith entitled *Option 1* and *Option 2*. Since generic base will go away under this provision, producers must decide whether they want to potentially equate their farm's seed cotton base to either the higher of their 2009-12 average seed cotton plantings or 80% of their farm's generic base acres (not to exceed their farm's total generic base). This would fall under *Option 1*. *Option 2* stipulates that all generic base that is converted to seed cotton base would be

converted in a manner that is proportional with their farm's 2009-2012 average plantings of *seed cotton* and other *covered* commodities. So, for example, a farm that originally held 300 acres of generic base under Option 2 would have to examine their 2009-2012 planting histories for cotton and other covered commodities, taking the average 2009-2012 planting acreages for all farm acres (covered acreage and generic acreage), they would then be scaled proportionately (as a percentage) over the farm's total acreage. Taking this percentage for that particular covered commodity, it is then multiplied by that farm's generic acreage amount. This would then equate to the commodity acreage available to be reallocated to that covered commodity for the 2018 crop year.

Let's examine corn as found in Figure 1, taking the 2009-2012 average of *Corn Planted Acres* (187.50 acres), we then divide this corn planted acreage figure by *Total Plantings* (1000 acres) to obtain the allocated percentage (*All. Percent*) of 18.8%. This 18.8% is the scaling factor needed to multiply existing generic acres (300 acres) so as to determine what acreage allocation would be able to switch from generic base to corn ($300 \text{ acres} \times 18.8\% = 56.25 \text{ acres}$). So, 56.25 acres of that farm's original generic base of 300 acres can now be added to existing corn commodity acres. This process is repeated for each covered commodity in Figure 1 where applicable. Under *Option 2*, all acres reallocated to covered commodities (including seed cotton) must sum to the original generic base acre amount, which in our example is 300 acres.

Sign-up Period

There is a 90 day window (beginning on Friday, February 9, 2018) for landowners to allocate the generic base acres on their farm. Failure in making an election will result in generic base acreage being calculated as either 80% of the generic base acres on the farm or the average number of seed cotton acres planted during the 2009 through 2012 crop years (not to exceed total generic base acres on the farm). This is referred to as *Option #1*.

Considerations

- Generic base will not likely exist in the next farm bill. Therefore, converting generic acres to seed cotton or another covered commodity acres (perhaps in addition to seed cotton) will reduce the likelihood of the farm's constituted base moving away from covered commodity program support into "unassigned" base, where no price or revenue support is afforded to those crops under the operating mechanics of the ARC and PLC programs.
- There will be an opportunity to update cotton yields so that a seed cotton program yield can be established. This program yield will apply to the PLC program for seed cotton should the producer enroll in this program.
- Beginning with the 2018 crop year, farm program payments to seed cotton (and all other covered commodities) will be decoupled from actual plantings.
- Taking the policy perspective to this decision into consideration requires producers to project any expected farm program payments to existing covered commodity base on their farm. The ARC-CO and PLC election made for the 2014 farm bill, applicable to Option #2, will remain in effect for the reallocation acreage should that option be exercised.
- There are decision tools from the LSU AgCenter that allow producers to project the 2017 crop year program payments. However, given the complex design of the ARC-CO farm program,

projecting a 2018 crop year payment requires making an initial estimate of the 2017 parish yield and national average price performance of the covered commodity in question; as these parameter serve in the revenue guarantee calculations for the 2018 crop year.

- Another factor to consider when evaluating the feasibility of *Option #2* is to take into consideration whether or not cotton has been planted (and to what degree) in recent years. What is the farm's future planting intentions regarding cotton? If cotton will be planted, is there a need to retain seed cotton base for price or revenue protections under PLC or ARC? Would *Option #2* provide the farm with an opportunity to reallocate generic base to other covered commodities that is reflective of recent farm planting history?
- Please bear in mind, there is no "one-size-fits-all" remedy for the adoption of these options. Producers should evaluate all options relative to their farm's planting history and future planting intentions.
- From a risk management perspective, another salient question is 'Is adding crop base at the expense of another a viable option given the likelihood of receiving federal support for all covered commodities produced on a farm?' The answer to this question requires a producer to work with the landowner in determining what option is the preferable choice for risk protection given a realistic market outlook for the crops produced.
- As an endnote, for the 2015 crop year, there were 995,813 acres of generic base in Louisiana spanning 35 parishes (USDA FSA). Therefore, this farm and risk management decision has the potential to impact a very large share of the state's overall farm program acres.

This research is funded in-part by Cotton Incorporated.

In the absence of final rules and regulations of the seed cotton program from USDA, this information is presented for educational purposes only and is the author's interpretation of the legislative language of the seed cotton program.



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