# 2018 Seed Cotton ARC and PLC Comparison Decision Aid

## November 2018

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# Disclaimer

This decision aid specifically compares ARC and PLC for **2018 only.** Current language in the House and Senate Version of the Farm Bill provides that producers will be given another election opportunity for 2019-2023 under the new farm bill.

Should the current farm bill be extended for another year, it is uncertain if a new election opportunity would be provided for 2019.  For longer term, PLC is the preferred choice for seed cotton. But heavy yield loss in some counties due to Hurricane Michael for 2018 could make ARC the better choice for 2018 only.

# UGA ARC PLC Decision Aid



## UNIVERSITY OF GEORGIA EXTENSION

**2018 Seed Cotton (SC) Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) Comparison Decision Aid (SC-DA-2)**

Developed by
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This decision aid is designed to assist landowners and producers to make decisions concerning the new seed cotton program in ARC and PLC selection decision for 2018.

Producers on a farm have until December 7, 2018 to elect PLC or ARC for seed cotton (SC) for 2018.  To fully utilize this decision aid, users will need:

- the county in which your farm is located
- your expected average cotton lint yield for your county in 2018
- your farm's seed cotton PLC payment yield
- your farm's HIP factor (If applicable)

There are 4 worksheets in this decision aid. Worksheet 2 explains the definition of HIP (Historical Irrigated Percentage) county and non-HIP county.

If your farm is located in a HIP (Historical Irrigated Percentage) county, you need to fill out worksheet 3. If your farm is located in a non-HIP county, you need to fill out worksheet 4.

Data entry is made in the **white cells** only in worksheet 3 and 4.  All other cells are protected.

For more information related to ARC and PLC calculation, please refer the following factsheet.

Shurley, W. D. & Liu, Y. Implications of Hurricane Michael on the Seed Cotton ARC/PLC Selection Decision. Department of Agricultural and Applied Economics, University of Georgia. Report No. AGECON-18-09PR. October 2018.

*Disclaimer*

*This decision aid addresses specifically with option, ARC or PLC, looks better (potentially provides the higher payment) for* <u>2018 only</u> *.  Current language provides that producers will be given another election opportunity for 2019-2023 under the new farm bill.  Instead, should the current farm bill be extended for another year, it is uncertain if a new election opportunity would be provided for 2019.  It is widely believed that longer term, PLC is the preferred choice for seed cotton—but heavy yield loss in some counties due to Hurricane Michael for 2018 could make ARC the better choice for 2018 only.* <u>*This decision aid specifically compares ARC and PLC for 2018.*</u>

**Funding support provided by**

## GEORGIA COTTON COMMISSION

# UGA ARC PLC Decision Aid

## 4 Worksheets

- Worksheet 2 explains the definition of HIP (Historical Irrigated Percentage) county and non-HIP county.
- If your farm is located in a HIP (Historical Irrigated Percentage) county, you need to fill out worksheet 3.
- If your farm is located in a non-HIP county, you need to fill out worksheet 4.

Data entry is made in the **white cells** only in worksheet 3 and 4.

# Data Needed for Decision Aid

Producers on a farm have until **December 7, 2018** to elect PLC or ARC for seed cotton (SC) for 2018.

To fully utilize this decision aid, users will need:

- the county in which your farm is located
- expected average cotton lint yield for your county in 2018
- your farm's seed cotton PLC payment yield
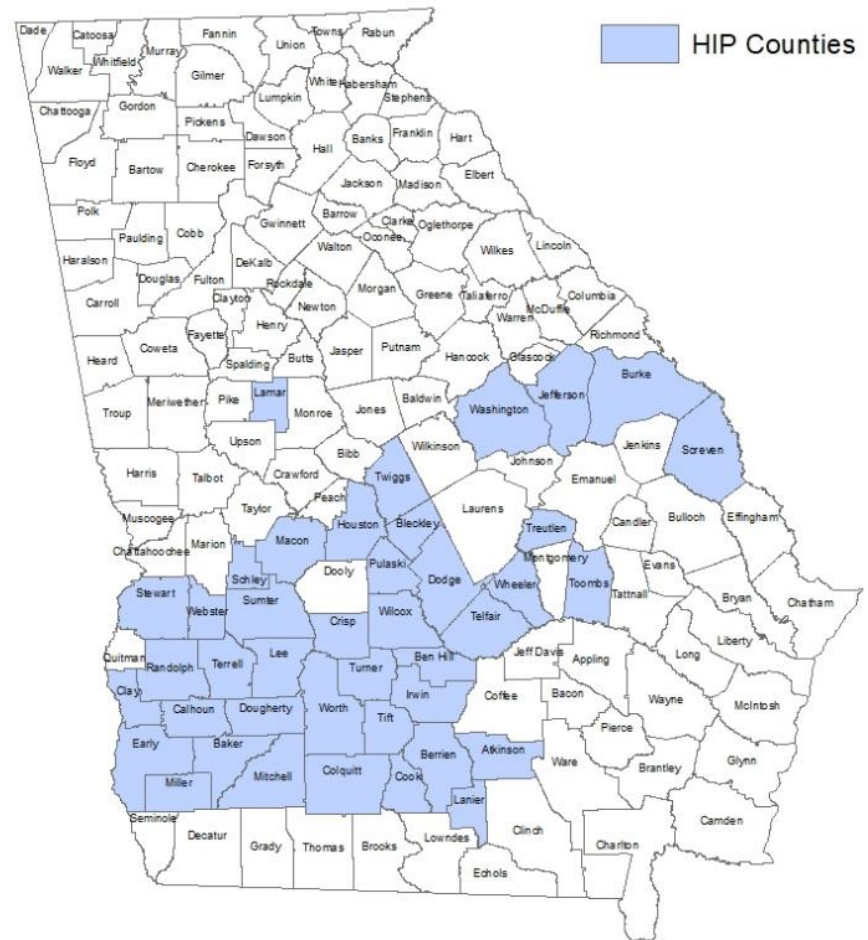- your farm's HIP factor (If applicable)

# HIP (Historical Irrigated Percentage) County and Non-HIP County

Based on 2009-2012, if a county has at least 25% of irrigated and at least 25% non-irrigated acres, FSA establishes a yield history for both irrigated and non-irrigated land.

These are known as "HIP counties".

# Farm in a HIP County

If a farm is in a HIP county and if the farm itself has a history of irrigation, FSA will assign a HIP Factor for the farm.

- The HIP factor is the historical percentage of irrigated acres of the crop planted.

# Farm in a HIP County

- For a farm with a HIP factor in a HIP county, any ARC payment is calculated as:

ACR Payment Rate ($/Acre)

= ARC Payment Irrigated x HIP + ARC Payment Non-Irrigated x (1-HIP)

# HIP County ARC PLC Comparison

| County Name | Bleckley |
|---|---|
| Expected Average 2018 County Yield Irrigated Land (Pounds per Acre) | 500 |
| Expected Average 2018 County Yield Non-Irrigated Land (Pounds per Acre) | 700 |
| Your Farm's Seed Cotton (SC) PLC Payment Yield (Pounds per Acre) | 2,000 |
| Your Farm's HIP Factor | 0.10 |

| PLC Payment Calculation ($ per Acre) | |
|---|---|
| PLC Reference Price | $0.367 |
| Projected 2018 SC MYA Price[1] | $0.3513 |
| Projected 2018 PLC Payment Rate | $0.0157 |
| Farm SC PLC Payment Yield | 2,000 |
| **Estimated SC PLC Payment** | **$31.40** |

# HIP County ARC PLC Comparison

| ARC Payment Calculation  ($ per Acre) | | | | |
|---|---|---|---|---|
| 5-Year OA MYA Price[1] | | | | $0.367 |
| | | **Irrigated** | | **Nonirrigated** |
| 5-Year OA Yield[2] | | 2,464 | | 1,491 |
| **Projected 2018 Benchmark Revenue** | | **$904.29** | | **$547.20** |
| **Projected 2018 ARC Guarantee** | | **$777.69** | | **$470.59** |
| | Lint | SC | Lint | SC |
| Expected 2018 Actual Yield | 500 | 1,200 | 700 | 1,680 |
| Projected 2018 SC MYA Price[3] | | $0.3513 | | $0.3513 |
| **Estimated 2018 Actual Revenue** | | **$422** | | **$590** |
| a. 10% of Benchmark Revenue | | $90.43 | | $54.72 |
| b. ARC Guarantee minus Actual | | $356.13 | | $0.00 |
| Estimated SC ARC-CO Payment (Lesser of a or b) | | $90.43 | | $0.00 |
| **Estimated SC ARC-CO Payment for Your Farm** | | | | **$9.04** |

# HIP County ARC PLC Comparison

| 2018 ARC and PLC Comparison | |
|---|---|
| Estimated 2018 PLC Payment ($ per Acre) | $31.40 |
| Estimated 2018 ARC Payment ($ per Acre) | $9.04 |
| Difference (PLC Payment - ARC Payment) | $22.36 |
| **ARC or PLC Choice for 2018** | **PLC** |

# Non HIP County ARC PLC Comparison

| County Name | Appling |
|---|---|
| Expected Average 2018 County Yield (Pounds per Acre) | 700 |
| Your Farm's Seed Cotton (SC) PLC Payment Yield (Pounds per Acre) | 2,000 |

**Where to find the Decision Aid:**

Google: UGA GA AG Policy under Tools & Decision Aids

**For More Information:**

Shurley, W. D. & Liu, Y. Implications of Hurricane Michael on the Seed Cotton ARC/PLC Selection Decision. Department of Agricultural and Applied Economics, University of Georgia. Report No. AGECON-18-09PR. October 2018.

# Do You have any Questions?

THANK YOU

**Feel free to contact me:**

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