

# Seed Cotton Program Decision Aid

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# Decisions To Be Made

Reallocation of Generic Base

Update Seed Cotton Yield

PLC/ARC Program Selection and Enrollment for Seed Cotton

Deadline for reallocation and enrollment: **December 7, 2018**



# Decisions To Be Made



1. The conversion decision of generic base to ***Option 1*** or ***Option 2*** carries over to the next farm bill 2019-23.
2. The PLC and ARC selection and enrollment for seed cotton base is for 2018.

If you choose to do nothing, Option 1 and PLC will be assumed.



# Option 1



Seed Cotton Base equal to the higher of

- 1-A 80% of the Generic Base
- or
- 1-B The average cotton acres planted during 2009 – 2012 (not to exceed total generic base acres)

Any remaining Generic Base acres would become **Unassigned Base** and **not eligible** for ARC/PLC



## Option 2



Convert **proportionately** to Seed Cotton Base and Bases of other covered commodities according to 2009-2012 planting history

100% of the Generic Base would be reallocated and none would be designated as Unassigned Base



# UGA Decision Aids



## Seed Cotton (SC) Generic Base and Yield Update Decision Aid (SC-DA-1)

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This decision aid is designed to assist landowners and producers to make decisions concerning the new seed cotton program and conversion of generic base on a farm to seed cotton base or bases of seed cotton and other covered commodities. To fully utilize this decision aid, users will need:

- the 2009-2012 acres planted history (P&CP) for cotton and all other covered commodities by farm (FSN)
- the generic base acres on each farm (FSN)
- the average cotton yield for the farm (FSN) for each year planted 2008-2012
- the county "substitute yield" for cotton for 2008-2012
- the 2008 farm bill cotton CCP yield for each farm (FSN)
- the peanut PLC yield for each farm (FSN) with peanut history



This decision aid can handle up to 20 FSN's. Additional FSN's can be analyzed using an additional copy of this file. There are 6 worksheets-- 4 of the 6 (worksheets 2 through 5) will require data entry. For worksheets 3 through 5, data entry is made in the white cells only. On worksheet 2, data entry is in the red outlined blocks. All other cells are protected. Each worksheet contains brief instructions at the top. Users should complete each and proceed through the worksheets in order.

Worksheet #3 "Acres History and SC Options" may be completed stand-alone, provided that the FSN's and the generic base for each are entered into worksheet #2.

Generic base on a farm may be converted to seed cotton only (the higher of options 1-A or 1-B) or seed cotton and other covered commodities (option 2).

Funding support provided by



1-Introduction

2-FSN Entry and Summary

3-Acres History and SC Options

4-SC Yield Update

5-Payments Analysis

6-Conversions Summary





You Have or Will Receive Something That Looks Like This

### Covered Commodity History Summary Report

Georgia, Jenkins		Farm Number				
2018 Generic Base Acres	101.80	2013 Counter Cyclical Yield			797	
Covered Commodity P&CP History						
Crop	2008	2009	2010	2011	2012	
CORN	27.1	32.2	29.9	38.0	28.4	
PEANUTS	77.4	0.0	100.3	0.0	78.8	
COTTON	78.8	149.0	47.3	144.9	74.9	



You Have or Will Receive Something That Looks Like This

## Covered Commodity History Summary Report

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COTTON	78.8	149.0	47.3	144.9	74.9	





# History



# Conversion Options

Farm Number	[REDACTED]				Cropland	197.8	acres
Generic Base	[REDACTED]				101.8	acres	
Acres Planted and Considered Planted (P&CP)							
Covered Commodities	2009	2010	2011	2012	Average		
Canola	0	0	0	0	0.00		
Corn	32.2	29.9	38	28.4	32.13		
Grain Sorghum	0	0	0	0	0.00		
Oats	0	0	0	0	0.00		
Peanuts	0	100.3	0	78.8	44.78		
Soybeans	0	0	0	0	0.00		
Sunflowers	0	0	0	0	0.00		
Wheat	0	0	0	0	0.00		
My 1	0	0	0	0	0.00		
My 2	0	0	0	0	0.00		
Cotton	149	47.3	144.9	74.9	104.03		
<b>Total P&amp;CP</b>	<b>181.2</b>	<b>177.5</b>	<b>182.9</b>	<b>182.1</b>	<b>180.93</b>		

Generic Base Conversion Options				
Farm	[REDACTED]	Option		
Bases		1-A	1-B	2
Seed Cotton		81.44	101.80	58.53
Canola				0.00
Corn				18.08
Grain Sorghum				0.00
Oats				0.00
Peanuts				25.19
Soybeans				0.00
Sunflowers				0.00
Wheat				0.00
My 1				0.00
My 2				0.00
<b>Unassigned</b>		20.36	0.00	0.00
<b>Total</b>		<b>101.80</b>	<b>101.80</b>	<b>101.80</b>

1-B: The average cotton acres planted during 2009 – 2012 (not to exceed total generic base acres)



# You Can Request One of These

Farm: [REDACTED]  
 Farmland: 264.16  
 Cropland: 197.79  
 Operator: [REDACTED]

State: Georgia  
 County: Jenkins  
 Pending Reconstitution: No  
 Year: 2018

Effective DCP Cropland: 201.80  
 Generic Base Acres: 101.80

		1-A		1-B			
		Base Method		Planted Acres Method			
Option 1	Seed Cotton <input type="radio"/>	Generic Base Acres: 101.80		09-12 Average Upland Cotton Planted Acres: 101.80			
		* 80%: 81.44					
		<b>Maximum of both methods</b>		<b>101.80</b>			
		Unassigned Generic		0.00			
Option 2	Covered Commodities <input type="radio"/>	Crop	09-12 Planting Avg	Crop %	Farm Records Bases	Generic Base Contr.	Reall-ocated Base Acres
		Corn	32.13	18	32.00	18.08	50.08
		Peanuts	44.80	25	64.30	25.19	89.49
		Seed Cotton	104.00	57	0.00	58.53	58.53
		<b>Total</b>	180.93	100.00	96.30	<b>101.80</b>	198.10



# You Can Request One of These

Farm: [REDACTED]  
Farmland: 264.16  
Cropland: 197.79  
Operator: [REDACTED]

State: Georgia  
County: Jenkins  
Pending Reconstitution: No  
Year: 2018

Effective DCP Cropland: 201.80  
Generic Base Acres: 101.80

**1-B**

Seed Cotton

Base Method	Planted Acres Method
Generic Base Acres: 101.80 * 80%: 81.44	09-12 Average Upland Cotton Planted Acres: <b>101.80</b>
<b>Maximum of both methods</b>	<b>101.80</b>
Unassigned Generic	0.00

**Option 2**

Covered Commodities

Crop	09-12 Planting Avg	Crop %	Farm Records Bases	Generic Base Contr.	Reall-ocated Base Acres
Corn	32.13	18	32.00	18.08	50.08
Peanuts	44.80	25	64.30	25.19	89.49
Seed Cotton	104.00	57	0.00	58.53	58.53
<b>Total</b>	<b>180.93</b>	<b>100.00</b>	<b>96.30</b>	<b>101.80</b>	<b>198.10</b>



# Seed Cotton PLC Payments

PLC Payment Rate = Reference Price - Higher of MYA Price  
or Loan Rate

Total Seed Cotton PLC Payment  
= PLC Payment Rate Per Pound of Seed Cotton  
× Seed Cotton Payment Yield  
× 85% of Total Seed Cotton Base Acres



# Seed Cotton Reference Price

PLC  
Reference  
Price

\$0.367/lb, which means payment will be made if seed cotton weighted market year average (MYA) price < \$0.367/lb.

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MYA Loan  
Rate

\$0.25/lb, which means if the MYA is less than 25 cents, 25 cents is used.

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This effectively caps the PLC payment rate at 11.7 cents.



# Seed Cotton MYA Price

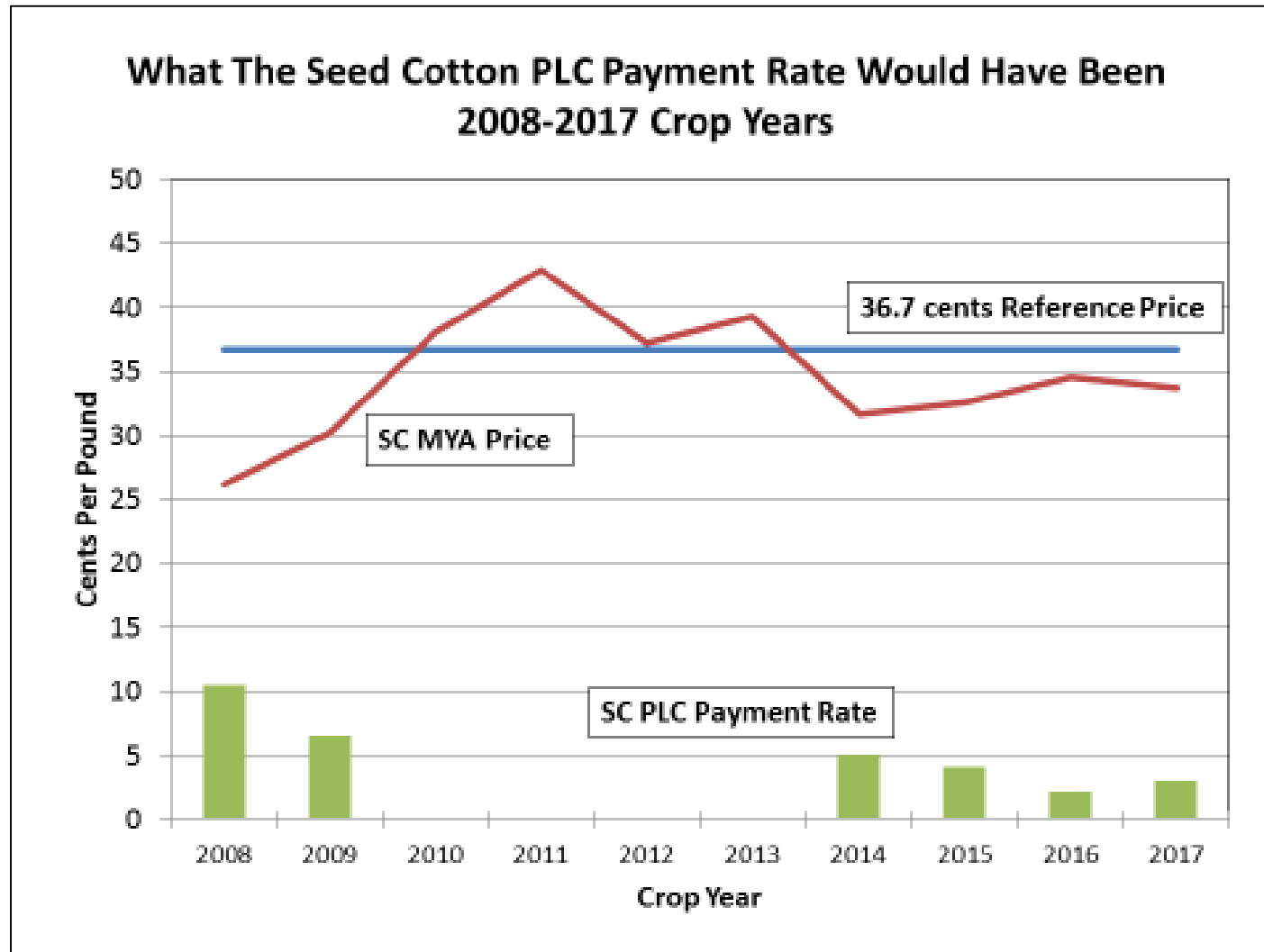
*Seed cotton MYA Price*

*= proportion of cotton lint × cotton lint MYA price  
+ proportion of cotton seed × cotton seed MYA price*

- Seed Cotton MYA Price
  - Impacted by both the U.S. MYA **prices** for cotton lint and seed
  - Impacted by both the U.S. **production** of cotton lint and seed



# 6 Out of the 10 years









From the UGA Decision Aid-- If the Seedcotton Program had been in effect for all 5 years of the current farm bill, SC PLC payments would have been this. A comparison is shown with peanuts.

<b>US MYA Prices and PLC Payment Rates Used</b>					
<b>Cotton</b>	2014	2015	2016	2017E	2018P
Cotton Lint cents/lb	61.3	61.2	68	68	75
Cotton Seed \$/ton	194	227	195	139	140
SC MYA Price cents/lb	31.6	32.5	34.6	33.2	35.8
Payment cents/lb	5.09	4.25	2.14	3.47	0.88
<b>Peanuts</b>	2014	2015	2016	2017E	2018P
MYA Price \$/ton	440	386	394	464	425
Payment \$/ton	95	149	141	71	110



**For Our Jenkins County, GA Farm**  
**797 lbs x 2.4 = 1,913 lbs SC Payment Yield**  
**Assumes 3,900 lbs Peanut PLC Yield**

Farm		Generic Base	101.8							
<b>SC Base Option</b>	<b>1-B</b>									
Crop	Base	PLC Yield	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>	<b>Per Year</b>	
Seed Cotton	101.80	1,913	\$8,431	\$7,034	\$3,537	\$5,745	\$1,453	\$26,201	\$5,240	
Unassigned	0.00									
<b>SC Base Option</b>	<b>2</b>									
Crop	Base	PLC Yield	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>	<b>Per Year</b>	
Seed Cotton	58.53	1,913	\$4,848	\$4,044	\$2,034	\$3,303	\$836	\$15,065	\$3,013	
Peanuts	25.19	3,900	\$3,967	\$6,222	\$5,888	\$2,965	\$4,593	\$23,635	\$4,727	
All Other	18.08									
<b>Total (Option 2 excluding all other crops)</b>								<b>\$38,700</b>	<b>\$7,740</b>	
<b>Difference (Option 1 - Option 2)</b>								<b>-\$12,498</b>	<b>-\$2,500</b>	
<b>Difference Per Acre (Difference / "All Other" Base Acres)</b>									<b>-\$138.29</b>	



# Reference Price and PLC Payment Rate

**For Our Jenkins County, What about the 18.08 Corn Base?**

<b>Commodity</b>	<b>Reference Price</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Wheat	\$5.50 Bushel	\$0.00	\$0.61	\$1.61	\$0.78	\$0.40
Corn	\$3.70 Bushel	\$0.00	\$0.09	\$0.34	\$0.30	\$0.10
Grain Sorghum	\$3.95 Bushel	\$0.00	\$0.64	\$1.16	\$0.75	\$0.55
Soybeans	\$8.40 Bushel	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00



# Seed Cotton Decision Aid

- Texas A&M Decision Aid
- <https://www.afpc.tamu.edu/tools/cotton-base>
- Provide guidance for generic base reallocation and estimations for potential payments for 2018-2022 for all covered commodities.
- Provides ARC and PLC election comparison.



## Assume corn yield is 180 bushels per acre, and growers selected ARC program for corn.

### PLC for Seed Cotton

#### Option 1 Potential Payments

Crop	Program	Reallocated Generic Base	2018	2019	2020	2021	2022	Total
Seed Cotton	PLC	101.80	\$4,515	\$6,392	\$6,966	\$6,870	\$6,417	\$31,159

#### Option 2 Potential Payments

Crop	Program	Reallocated Generic Base	2018	2019	2020	2021	2022	Total
Seed Cotton	PLC	58.53	\$2,596	\$3,675	\$4,005	\$3,950	\$3,690	\$17,915
Irrigated Corn	ARC	18.08	\$17	\$23	\$101	\$137	\$167	\$444
Peanuts	PLC	25.19	\$4,834	\$5,129	\$4,711	\$4,566	\$4,651	\$23,890
<b>Grand Totals</b>			\$7,446	\$8,827	\$8,817	\$8,653	\$8,507	\$42,249

### ARC for Seed Cotton

#### Option 1 Potential Payments

Crop	Program	Reallocated Generic Base	2018	2019	2020	2021	2022	Total
Seed Cotton	ARC	101.80	\$1,187	\$2,669	\$2,097	\$1,764	\$1,836	\$9,553

#### Option 2 Potential Payments

Crop	Program	Reallocated Generic Base	2018	2019	2020	2021	2022	Total
Seed Cotton	ARC	58.53	\$683	\$1,534	\$1,206	\$1,014	\$1,056	\$5,493
Irrigated Corn	ARC	18.08	\$17	\$23	\$101	\$137	\$167	\$444
Peanuts	PLC	25.19	\$4,834	\$5,129	\$4,711	\$4,566	\$4,651	\$23,890
<b>Grand Totals</b>			\$5,533	\$6,686	\$6,018	\$5,717	\$5,873	\$29,827



# Implications and Considerations

- Chasing the money will be difficult to turn down. The SC program is good but it will be hard to beat the money on peanut base.
- You have to make a decision farm-by-farm– but in the end, step back and take a look at from the total farm. How much base of everything do you have? Are you still under payment limits?
- Being able to update the cotton yield to a higher level may be a key component in how things compare.
- If a farm has generic base but no peanut base and you have a 2009-2012 planting history of peanuts, you can now earn peanut base if you choose.



# Key Points

Make the best decisions of generic base allocation with the information you have.

- Uncertainties related to PLC reference prices for covered commodities in the 2018 Farm Bill

Try to avoid leave money on the table

- Unassigned based is ineligible for ARC or PLC.

What will happen to the Unassigned Base is unknown at this point.

- Will be maintained in Farm Records
- Ineligible for ARC or PLC payments

# Do You have any Questions?



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