Ag Policy Update within the **Bipartisan Budget Act of 2018**

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Disclaimer

The information presented is what we have interpreted and gleaned from the text of the *Bipartisan Budget Act of 2018*. The final rules and regulations still need to be written.

Changes to Generic Base

- Generic base will no longer exist beginning in the 2018 crop year
  - It'll become something else … more on that later
- "Seed cotton" is now a covered commodity
  - Defined as Unginned Upland Cotton (Lint & Seed)

Seed Cotton Reference Price and Payment Yield

- Reference price under PLC is $0.367/lb

- Payment yield will be 2.4 times the payment yield for upland cotton for the farm as of 9/30/13
  – Same yield set during the ‘08 Farm Bill

- Farmers have a one time opportunity to update payment yield
  – Based on upland cotton yields for crop years ‘08-’12

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Reallocation of Generic Base

- Must be completed within 90 days
  - Most likely from February 9, 2018

- For farms with Generic Base, but no covered commodity or cotton has been planted for the period 2009 through 2016, the Generic Base would be converted to "***Unassigned Base***"
  - **Unassigned Base** will be ineligible for ARC/PLC for the remainder of the 2014 farm bill

Option 1 - Reallocate Generic Base

For farms <u>with Generic Base that have planted covered commodities or cotton during ‘09-’16</u>, the landowner will have two options of what to do with the Generic Base on the farm:

- **<u>1)</u>** Convert all Generic Base to Seed Cotton Base at the higher of 80% of the Generic Base or the average number of 2009-2012 cotton acres planted, but not to exceed total Generic Base acres
  - Any remaining Generic Base acres would become Unassigned Base and ineligible for ARC/PLC

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Option 2 - Reallocate Generic Base

- **2)** Generic Base would be converted to seed cotton base and other covered commodity bases proportionately, based on acres planted in 2009-2012
  - All Generic Base acres on the farm would be reallocated and none would be designated as Unassigned

- If you choose to do nothing, Option 1 will be assumed

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Let’s try to understand the Options

Start with the 2009-2012 crop history that was used in 2014 to make the decision to retain or reallocate the bases of covered commodities:

Farm Number (FSN)	**1759**				
Covered Commodities Planted	**Acres Planted and Considered Planted (P&CP)**				
	2009	2010	2011	2012	Average
Corn	40.0	0.0	50.0	0.0	22.5
Peanuts	0.0	100.0	0.0	90.0	**47.5**
Soybeans	0.0	0.0	40.0	0.0	10.0
Wheat	0.0	0.0	40.0	0.0	10.0

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Collect cotton history of planted acres

Including cotton, let's suppose the acreage history now looks like this:

Farm Number (FSN)	1759				
Covered Commodities Planted	Acres Planted and Considered Planted (P&CP)				
	2009	2010	2011	2012	Average
Corn	40.0	0.0	50.0	0.0	22.5
Peanuts	0.0	100.0	0.0	90.0	47.5
Soybeans	0.0	0.0	40.0	0.0	10.0
Wheat	0.0	0.0	40.0	0.0	10.0
Cotton	150.0	90.0	100.0	100.0	110.0
Total	190.0	190.0	230.0	190.0	200.0

Now, assume the farm has 120 acres Generic Base

Farm Number (FSN)	1759
Generic Base Acres	120.0

Covered Commodities Planted	2009-12 Avg P&CP	Percent of Total	GB Allocation
Corn	22.5	11.25	13.5
Peanuts	47.5	23.75	28.5
Soybeans	10.0	5.00	6.0
Wheat	10.0	5.00	6.0
Cotton/Seed Cotton	110.0	55.00	66.0
Total	200.0	100.00	120.0

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Option 1 - Outcome

Higher of

80% of Generic Base =

96 Seed Cotton Base

Or

Average Planted (or Prevented) '09-'12 =

110 Seed Cotton Base

with 10 acres Unassigned

If the average planted to upland cotton during '09-'12 was equal to or greater than the number of generic base acres, all Generic Base would be Seed Cotton Base.

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Back to our example farm with 120 acres Generic Base

Farm Number (FSN)	**1759**
Generic Base Acres	120.0

Option 2

Covered Commodities Planted	2009-12 Avg P&CP	Percent of Total	GB Allocation
Corn	22.5	11.25	13.5
Peanuts	47.5	23.75	28.5
Soybeans	10.0	5.00	6.0
Wheat	10.0	5.00	6.0
Cotton/Seed Cotton	110.0	55.00	66.0
Total	200.0	100.00	120.0

Option 2 - Outcome

The 120 Generic Base Acres will become:

Corn	13.5 ac	Corn Base
Peanuts	28.5 ac	Peanut Base
Soybeans	6.0 ac	Soybean Base
Wheat	6.0 ac	Wheat Base
Cotton/Seed Cotton	66.0 ac	Seed Cotton Base
Total	120.0	

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Election to participate in PLC/ARC and the Effective Price

- You have a one-time opportunity to elect your participation PLC or ARC
  - Must be unanimous by all producers on the farm
  - If this is not done, PLC will be the elected program

- Effective Seed Cotton Market Year Average Price =

$$\frac{(\text{Upland Cotton MYA Price} * \text{Total Lbs US Upland Cotton Lint}) + (\text{Cottonseed MYA Price} * \text{Total Lbs US Cottonseed})}{(\text{Total Lbs US Upland Cotton Lint} + \text{Total Lbs US Cottonseed})}$$

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Loan Rate and Implications for STAX

- "Deemed marketing loan rate" for seed cotton is $0.25/lb ***(Seed Cotton will not go into the Loan)***
  - This means, if the MYA price is less than 25 cents, $0.25 is used.
  - This effectively caps the PLC payment rate at $0.117/lb

- Beginning with the 2019 crop year, those who participate in PLC/ARC will be ineligible for STAX

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Payment Limits

- The *Bipartisan Budget Act of 2018* <u>does not</u> mention changes to payment limits

- Payment Limits in the 2014 Farm Bill:
  - Payments for all “covered commodities” directly or indirectly attributed to a person under Title I for any crop year are limited to $125,000
    - Seed cotton is now a “Covered Commodity”
  - There is a separate payment limit of $125,000 for the corresponding payments made to a person or legal entity for peanuts

Thank You

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National Cotton Council OF AMERICA

Georgia Peanut Commission

Working for farmers since 1961.

National Peanut Board

Partial support provided by growers for economics education and research

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