

**National Cotton Council**  
**Seed Cotton PLC/ARC Program<sup>1</sup>**  
**Beginning with the 2018 Crop**  
**Draft Updated February 16, 2018**

**Program:**

Seed Cotton is designated as a covered commodity eligible for Title I Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs in the 2014 Farm Bill beginning with the 2018 crop. The Reference Price is set at \$0.367 per lb. Seed Cotton refers to unginned upland cotton that includes both lint and cottonseed.

**Structure:**

**Seed Cotton Marketing Year Average (MYA) Price** is a weighted average of the upland cotton lint price and the cottonseed price.

$$\text{Seed Cotton MYA Price} = \frac{(\text{U.S. Upland Cotton Lint Production} * \text{U.S. Upland Cotton Lint MYA Price} + \text{U.S. Cottonseed Production} * \text{U.S. Cottonseed MYA Price})}{(\text{U.S. Upland Cotton Lint Production} + \text{U.S. Cottonseed Production})}$$

- USDA/NASS data are used for price and production
- Production is measured in pounds
- Lint and cottonseed prices are weighted based on annual shares of production
- The MYA Price is not final until the end of the marketing year (Aug. 1 – July 31) and is generally published in late September or early October
- USDA publishes monthly estimates throughout the marketing year which can be used to calculate an estimated MYA Price

**2017/18 Seed Cotton MYA Price Example (based on USDA Feb. 2018 estimates):**

- U.S. Upland Cotton Lint MYA Price (\$/lb) = \$0.690
- U.S. Cottonseed MYA Price (\$/lb) = \$0.075 (or \$150/ton)
- U.S. Upland Cotton Lint Production (lbs) = 20,570,000 bales \* 480 lbs/bale = 9,873,600,000 lbs
- U.S. Cottonseed Production (lbs) = 6,725,000 tons \* 2,000 lbs/ton = 13,450,000,000 lbs
- Total U.S. Cotton Lint and Cottonseed Production (lbs) = 9,873,600,000 + 13,450,000,000  
= 23,323,600,000 lbs

- Seed Cotton Price (\$/lb) =  $\frac{(9,873,600,000 * \$0.690 + 13,450,000,000 * \$0.075)}{(9,873,600,000 + 13,450,000,000)}$

$$= \frac{(9,873,600,000 * \$0.690 + 13,450,000,000 * \$0.075)}{23,323,600,000}$$

$$= \frac{9,873,600,000}{23,323,600,000} * \$0.690 + \frac{13,450,000,000}{23,323,600,000} * \$0.075$$

$$= (0.4233 * \$0.690) + (0.5767 * \$0.075) = \$0.3353$$

---

<sup>1</sup> Information based on NCC's review of the legislative language. Final details are subject to change based on USDA's interpretation of language and implementation.

**Seed Cotton Payment Yield** will be based on the upland cotton lint payment yield.

Seed Cotton Payment Yield =  $2.4 * \text{Upland Cotton Lint Payment Yield}$

- Upland Cotton Lint Payment Yield = Higher of current CCP lint yield or updated lint yield
- One-time opportunity to update the payment yield for upland cotton based on 90% of the average of 2008-2012 actual yields, not counting years in which cotton was not grown

**Seed Cotton Payment Yield Example** (assuming an 800 lb/acre upland cotton lint payment yield):

- Seed Cotton Payment Yield (lbs/acre) =  $2.4 * 800 = 1,920$

**Seed Cotton Reference Price** is set at \$0.367 per lb. The **Seed Cotton Price Floor** is set at \$0.250 per lb.

**Seed Cotton PLC Payment Rate** is the difference between the Reference Price and the higher of the MYA Price and the Price Floor.

Seed Cotton PLC Payment Rate (\$/lb) = Reference Price – the higher of (MYA Price, Price Floor)

- Seed Cotton Payment Rate = \$0 if Seed Cotton MYA Price is greater than the Reference Price

**Seed Cotton PLC/ARC Payments** will be made on 85% of the farm's decoupled seed cotton base.

Seed Cotton PLC Payment (\$/base acre) = PLC Payment Rate \* Payment Yield \* 0.85

**Seed Cotton PLC Payment Rate Example:**

- 2017/18 Seed Cotton MYA Price = \$0.3353
- Seed Cotton PLC Payment Rate (\$/lb) =  $\$0.367 - \text{higher of } (\$0.3353, \$0.250) = \$0.0317$

**Seed Cotton PLC Payment Example:**

- Seed Cotton PLC Payment (\$/base acre) =  $\$0.0317 * 1,920 * 0.85 = \$51.73$

The Seed Cotton ARC program is structured in the same manner as ARC for other covered commodities.

**Seed Cotton Base Acres** will only be established through the conversion of generic base acres. Generic base acres are not in effect beginning with the 2018 crop.

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 PLC/ARC.

For all other farms with generic base, producers shall choose one of the following options to convert generic base acres to seed cotton and other covered commodity base acres:

Option 1: Seed cotton base equals the higher of 2009-12 average seed cotton plantings or 80% of generic base, not to exceed total generic base. Any unconverted generic base becomes unassigned crop base and ineligible for PLC/ARC; or

Option 2: All generic base allocated to seed cotton and other covered commodity bases proportionally according to the shares of 2009–12 average plantings of seed cotton and other covered commodities.

Farms failing to make the choice between Option 1 and Option 2 will be treated as if they chose Option 1.

**Example 1. Determination of Seed Cotton Base Acreage:**

Generic base: 500 acres	2009-12 average planted acres:
	Covered Commodities: 800 acres
	Cotton: 300 acres
	Corn: 200 acres
	Peanuts: 200 acres
	Soybeans: 100 acres

Option 1: Convert 500 acres of generic base to seed cotton base and unassigned base:

Seed cotton base equals 400 acres based on the higher of:

2009-12 average planted cotton acres = 300, or

80% \* 500 generic base acres = 400.

Remaining 100 acres of generic base becomes unassigned base

or

Option 2: Allocate 500 acres of generic base to base acres for the following crops:

Seed Cotton:  $500 * (300/800) = 187.5$

Corn:  $500 * (200/800) = 125.0$

Peanuts:  $500 * (200/800) = 125.0$

Soybeans:  $500 * (100/800) = 62.5$

**Example 2. Determination of Seed Cotton Base Acreage:**

Generic base: 500 acres	2009-12 average planted acres:
	Covered Commodities: 800 acres
	Cotton: 600 acres
	Corn: 200 acres

Option 1: Convert 500 acres of generic base to seed cotton base and unassigned base:

Seed cotton base equals 500 acres based on the higher of:

2009-12 average planted cotton acres = 600, or

80% \* 500 generic base acres = 400,

But farm cannot establish more seed cotton base acres than generic acres on the farm.

No unassigned base for this farm example

or

Option 2: Allocate 500 acres of generic base to base acres for the following crops:

Seed Cotton:  $500 * (600/800) = 375$

Corn:  $500 * (200/800) = 125$

Resulting Base Acreage	Example 1		Example 2	
	Option 1	Option 2	Option 1	Option 2
Seed Cotton	400	187.5	500	375.0
Corn		125.0		125.0
Peanuts		125.0		
Soybeans		62.5		
Unassigned	100		0	

A 1-Time **PLC/ARC Election** will be given to producers on a farm with seed cotton base. A farm failing to make a unanimous election between the two will be assumed to choose PLC for seed cotton.

For the 2018 crop, the **STAX** insurance product MAY be purchased for acres of upland cotton planted on a farm enrolled in the seed cotton PLC/ARC program. (Restrictions apply in subsequent crop years.)

The provisions of the non-recourse marketing assistance loan for upland cotton lint remain unchanged in the 2014 Farm Bill with the upland cotton loan rate returning to \$0.52/lb for the 2018 crop.

PLC/ARC payments for seed cotton are subject to the payment limit of \$125,000 applicable to covered commodities (other than peanuts).

Illustration of Seed Cotton Marketing Year Average Price per Pound*															
Lint MYA Price (\$/Lb)	Cottonseed MYA Price (\$/Ton)														
	\$140	\$150	\$160	\$170	\$180	\$190	\$200	\$210	\$220	\$230	\$240	\$250	\$260	\$270	\$280
\$0.50	\$0.252	\$0.255	\$0.258	\$0.261	\$0.264	\$0.266	\$0.269	\$0.272	\$0.275	\$0.278	\$0.281	\$0.284	\$0.287	\$0.290	\$0.292
\$0.51	\$0.256	\$0.259	\$0.262	\$0.265	\$0.268	\$0.271	\$0.274	\$0.276	\$0.279	\$0.282	\$0.285	\$0.288	\$0.291	\$0.294	\$0.297
\$0.52	\$0.260	\$0.263	\$0.266	\$0.269	\$0.272	\$0.275	\$0.278	\$0.281	\$0.284	\$0.286	\$0.289	\$0.292	\$0.295	\$0.298	\$0.301
\$0.53	\$0.265	\$0.268	\$0.270	\$0.273	\$0.276	\$0.279	\$0.282	\$0.285	\$0.288	\$0.291	\$0.294	\$0.296	\$0.299	\$0.302	\$0.305
\$0.54	\$0.269	\$0.272	\$0.275	\$0.278	\$0.280	\$0.283	\$0.286	\$0.289	\$0.292	\$0.295	\$0.298	\$0.301	\$0.304	\$0.306	\$0.309
\$0.55	\$0.273	\$0.276	\$0.279	\$0.282	\$0.285	\$0.288	\$0.290	\$0.293	\$0.296	\$0.299	\$0.302	\$0.305	\$0.308	\$0.311	\$0.314
\$0.56	\$0.277	\$0.280	\$0.283	\$0.286	\$0.289	\$0.292	\$0.295	\$0.298	\$0.300	\$0.303	\$0.306	\$0.309	\$0.312	\$0.315	\$0.318
\$0.57	\$0.282	\$0.285	\$0.287	\$0.290	\$0.293	\$0.296	\$0.299	\$0.302	\$0.305	\$0.308	\$0.310	\$0.313	\$0.316	\$0.319	\$0.322
\$0.58	\$0.286	\$0.289	\$0.292	\$0.295	\$0.297	\$0.300	\$0.303	\$0.306	\$0.309	\$0.312	\$0.315	\$0.318	\$0.320	\$0.323	\$0.326
\$0.59	\$0.290	\$0.293	\$0.296	\$0.299	\$0.302	\$0.305	\$0.307	\$0.310	\$0.313	\$0.316	\$0.319	\$0.322	\$0.325	\$0.328	\$0.330
\$0.60	\$0.294	\$0.297	\$0.300	\$0.303	\$0.306	\$0.309	\$0.312	\$0.315	\$0.317	\$0.320	\$0.323	\$0.326	\$0.329	\$0.332	\$0.335
\$0.61	\$0.299	\$0.301	\$0.304	\$0.307	\$0.310	\$0.313	\$0.316	\$0.319	\$0.322	\$0.325	\$0.327	\$0.330	\$0.333	\$0.336	\$0.339
\$0.62	\$0.303	\$0.306	\$0.309	\$0.311	\$0.314	\$0.317	\$0.320	\$0.323	\$0.326	\$0.329	\$0.332	\$0.335	\$0.337	\$0.340	\$0.343
\$0.63	\$0.307	\$0.310	\$0.313	\$0.316	\$0.319	\$0.321	\$0.324	\$0.327	\$0.330	\$0.333	\$0.336	\$0.339	\$0.342	\$0.345	\$0.347
\$0.64	\$0.311	\$0.314	\$0.317	\$0.320	\$0.323	\$0.326	\$0.329	\$0.331	\$0.334	\$0.337	\$0.340	\$0.343	\$0.346	\$0.349	\$0.352
\$0.65	\$0.316	\$0.318	\$0.321	\$0.324	\$0.327	\$0.330	\$0.333	\$0.336	\$0.339	\$0.341	\$0.344	\$0.347	\$0.350	\$0.353	\$0.356
\$0.66	\$0.320	\$0.323	\$0.326	\$0.328	\$0.331	\$0.334	\$0.337	\$0.340	\$0.343	\$0.346	\$0.349	\$0.351	\$0.354	\$0.357	\$0.360
\$0.67	\$0.324	\$0.327	\$0.330	\$0.333	\$0.336	\$0.338	\$0.341	\$0.344	\$0.347	\$0.350	\$0.353	\$0.356	\$0.359	\$0.361	\$0.364
\$0.68	\$0.328	\$0.331	\$0.334	\$0.337	\$0.340	\$0.343	\$0.346	\$0.348	\$0.351	\$0.354	\$0.357	\$0.360	\$0.363	\$0.366	\$0.369
\$0.69	\$0.332	\$0.335	\$0.338	\$0.341	\$0.344	\$0.347	\$0.350	\$0.353	\$0.356	\$0.358	\$0.361	\$0.364	\$0.367	\$0.370	\$0.373
\$0.70	\$0.337	\$0.340	\$0.342	\$0.345	\$0.348	\$0.351	\$0.354	\$0.357	\$0.360	\$0.363	\$0.366	\$0.368	\$0.371	\$0.374	\$0.377
\$0.71	\$0.341	\$0.344	\$0.347	\$0.350	\$0.352	\$0.355	\$0.358	\$0.361	\$0.364	\$0.367	\$0.370	\$0.373	\$0.376	\$0.378	\$0.381
\$0.72	\$0.345	\$0.348	\$0.351	\$0.354	\$0.357	\$0.360	\$0.362	\$0.365	\$0.368	\$0.371	\$0.374	\$0.377	\$0.380	\$0.383	\$0.386
\$0.73	\$0.349	\$0.352	\$0.355	\$0.358	\$0.361	\$0.364	\$0.367	\$0.370	\$0.372	\$0.375	\$0.378	\$0.381	\$0.384	\$0.387	\$0.390
\$0.74	\$0.354	\$0.356	\$0.359	\$0.362	\$0.365	\$0.368	\$0.371	\$0.374	\$0.377	\$0.380	\$0.382	\$0.385	\$0.388	\$0.391	\$0.394
\$0.75	\$0.358	\$0.361	\$0.364	\$0.366	\$0.369	\$0.372	\$0.375	\$0.378	\$0.381	\$0.384	\$0.387	\$0.390	\$0.392	\$0.395	\$0.398
\$0.76	\$0.362	\$0.365	\$0.368	\$0.371	\$0.374	\$0.376	\$0.379	\$0.382	\$0.385	\$0.388	\$0.391	\$0.394	\$0.397	\$0.400	\$0.402
\$0.77	\$0.366	\$0.369	\$0.372	\$0.375	\$0.378	\$0.381	\$0.384	\$0.386	\$0.389	\$0.392	\$0.395	\$0.398	\$0.401	\$0.404	\$0.407
\$0.78	\$0.371	\$0.373	\$0.376	\$0.379	\$0.382	\$0.385	\$0.388	\$0.391	\$0.394	\$0.396	\$0.399	\$0.402	\$0.405	\$0.408	\$0.411

\* Seed Cotton price is a weighted average of upland cotton lint price and cottonseed price. Sample calculations based on weights of 0.4233 applied to lint price and 0.5767 applied to cottonseed price. Actual weights vary by year based on actual production of upland lint and cottonseed.

Illustration of Seed Cotton PLC Payment per Base Acre*															
Reference Price	\$0.367			Lint Pymt Yield	800			Seed Cotton Pymt Yield	1,920			Seed Cotton Floor	\$0.25		
Cottonseed MYA Price (\$/Ton)															
Lint MYA Price (\$/Lb)	\$140	\$150	\$160	\$170	\$180	\$190	\$200	\$210	\$220	\$230	\$240	\$250	\$260	\$270	\$280
\$0.50	\$188	\$183	\$178	\$174	\$169	\$164	\$159	\$155	\$150	\$145	\$141	\$136	\$131	\$126	\$122
\$0.51	\$181	\$176	\$171	\$167	\$162	\$157	\$153	\$148	\$143	\$138	\$134	\$129	\$124	\$120	\$115
\$0.52	\$174	\$169	\$164	\$160	\$155	\$150	\$146	\$141	\$136	\$131	\$127	\$122	\$117	\$113	\$108
\$0.53	\$167	\$162	\$158	\$153	\$148	\$143	\$139	\$134	\$129	\$125	\$120	\$115	\$110	\$106	\$101
\$0.54	\$160	\$155	\$151	\$146	\$141	\$136	\$132	\$127	\$122	\$118	\$113	\$108	\$104	\$99	\$94
\$0.55	\$153	\$148	\$144	\$139	\$134	\$130	\$125	\$120	\$115	\$111	\$106	\$101	\$97	\$92	\$87
\$0.56	\$146	\$141	\$137	\$132	\$127	\$123	\$118	\$113	\$109	\$104	\$99	\$94	\$90	\$85	\$80
\$0.57	\$139	\$135	\$130	\$125	\$120	\$116	\$111	\$106	\$102	\$97	\$92	\$88	\$83	\$78	\$73
\$0.58	\$132	\$128	\$123	\$118	\$114	\$109	\$104	\$99	\$95	\$90	\$85	\$81	\$76	\$71	\$67
\$0.59	\$125	\$121	\$116	\$111	\$107	\$102	\$97	\$93	\$88	\$83	\$78	\$74	\$69	\$64	\$60
\$0.60	\$119	\$114	\$109	\$104	\$100	\$95	\$90	\$86	\$81	\$76	\$72	\$67	\$62	\$57	\$53
\$0.61	\$112	\$107	\$102	\$98	\$93	\$88	\$83	\$79	\$74	\$69	\$65	\$60	\$55	\$50	\$46
\$0.62	\$105	\$100	\$95	\$91	\$86	\$81	\$77	\$72	\$67	\$62	\$58	\$53	\$48	\$44	\$39
\$0.63	\$98	\$93	\$88	\$84	\$79	\$74	\$70	\$65	\$60	\$55	\$51	\$46	\$41	\$37	\$32
\$0.64	\$91	\$86	\$82	\$77	\$72	\$67	\$63	\$58	\$53	\$49	\$44	\$39	\$34	\$30	\$25
\$0.65	\$84	\$79	\$75	\$70	\$65	\$60	\$56	\$51	\$46	\$42	\$37	\$32	\$28	\$23	\$18
\$0.66	\$77	\$72	\$68	\$63	\$58	\$54	\$49	\$44	\$39	\$35	\$30	\$25	\$21	\$16	\$11
\$0.67	\$70	\$66	\$61	\$56	\$51	\$47	\$42	\$37	\$33	\$28	\$23	\$18	\$14	\$9	\$4
\$0.68	\$63	\$59	\$54	\$49	\$44	\$40	\$35	\$30	\$26	\$21	\$16	\$12	\$7	\$2	\$0
\$0.69	\$56	\$52	\$47	\$42	\$38	\$33	\$28	\$23	\$19	\$14	\$9	\$5	\$0	\$0	\$0
\$0.70	\$49	\$45	\$40	\$35	\$31	\$26	\$21	\$17	\$12	\$7	\$2	\$0	\$0	\$0	\$0
\$0.71	\$43	\$38	\$33	\$28	\$24	\$19	\$14	\$10	\$5	\$0	\$0	\$0	\$0	\$0	\$0
\$0.72	\$36	\$31	\$26	\$22	\$17	\$12	\$7	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.73	\$29	\$24	\$19	\$15	\$10	\$5	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.74	\$22	\$17	\$12	\$8	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.75	\$15	\$10	\$6	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.76	\$8	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.77	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.78	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

\* Payment per base acre calculated for combinations of the lint and cottonseed price given an assumed payment yield. Payment per base acre is determined as Payment Rate per pound multiplied by Payment Yield in pounds multiplied by 85%.