

The Agricultural Act of 2014: Update on STAX, SCO & Farm Bill Implementation

**Mid-South Region
December 2014**



2014 Farm Bill

- Fundamental changes in cotton's safety net
 - DP and CCP programs discontinued
- Greater reliance on crop insurance products
- Maintains marketing loan
- Across commodities, growers faced with new program choices
- Targeted for phase-in over '14 and '15 crops
- Unless otherwise noted, sequestration applies to FSA programs but not crop insurance

2014 Cotton Transition Assistance

- New insurance products available in 2015
- Transition program for cotton for the 2014 crop
 - Equates to 5.4 cents/lb. on all 2013 base acres and DP yield;
- Subject to separate limit of \$40k/legal entity
- Eligibility not affected by other program choices or planting decisions
- Payments occur on/after Oct 1, 2014

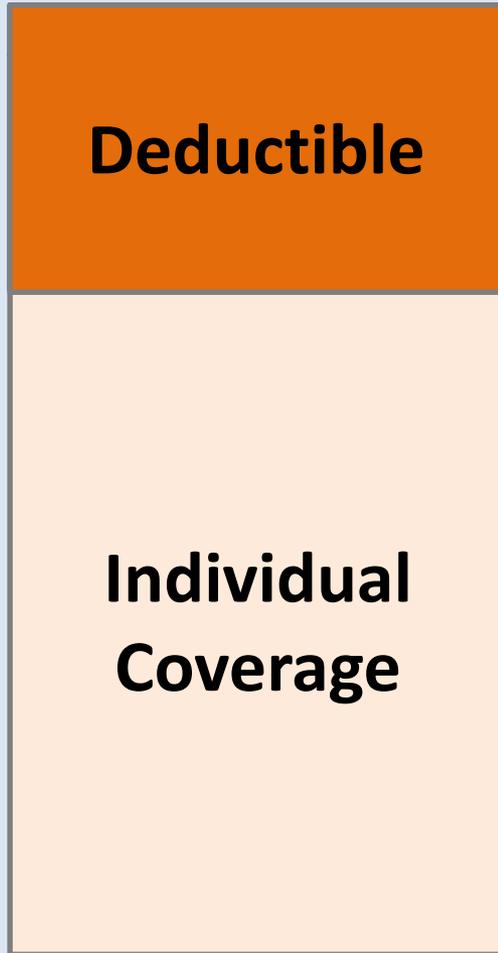
Basic STAX Concept

Stacked Income Protection Plan

- STAX – new revenue insurance product available in 2015 for purchase on all acres planted to upland cotton; administered by USDA's RMA
- Indemnities triggered by revenue experience at county level (or combined counties if necessary for actuarially sound product); STAX indemnities **NOT** based on individual experience
- Offered by irrigated/non-irrigated practice to greatest extent possible

Basic STAX Concept

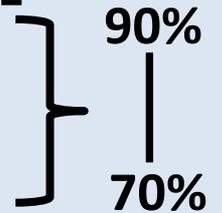
Individual Revenue



County Revenue



County Revenue
> 90%, then no
STAX indemnity



County Revenue
at or below 70%,
STAX indemnity
at max

Basic STAX Calculations

Description		Example
Expected County Revenue = Insurance Projected Price x Expected County Yield	Insurance Projected Price	\$0.65
	Expected County Yield	1,000 lbs
	Expected County Revenue	\$650
Actual County Revenue = Insurance Harvest Price x Actual County Yield	Insurance Harvest Price	\$0.60
	Actual County Yield	850 lbs
	Actual County Revenue	\$510
Indemnity is lesser of amount that 90% of Expected County Revenue exceeds Actual County Revenue or 20% of Expected County Revenue	90% of Exp. County Revenue	\$585
	20% of Exp. County Revenue	\$135
	Indemnity	\$75

STAX Availability

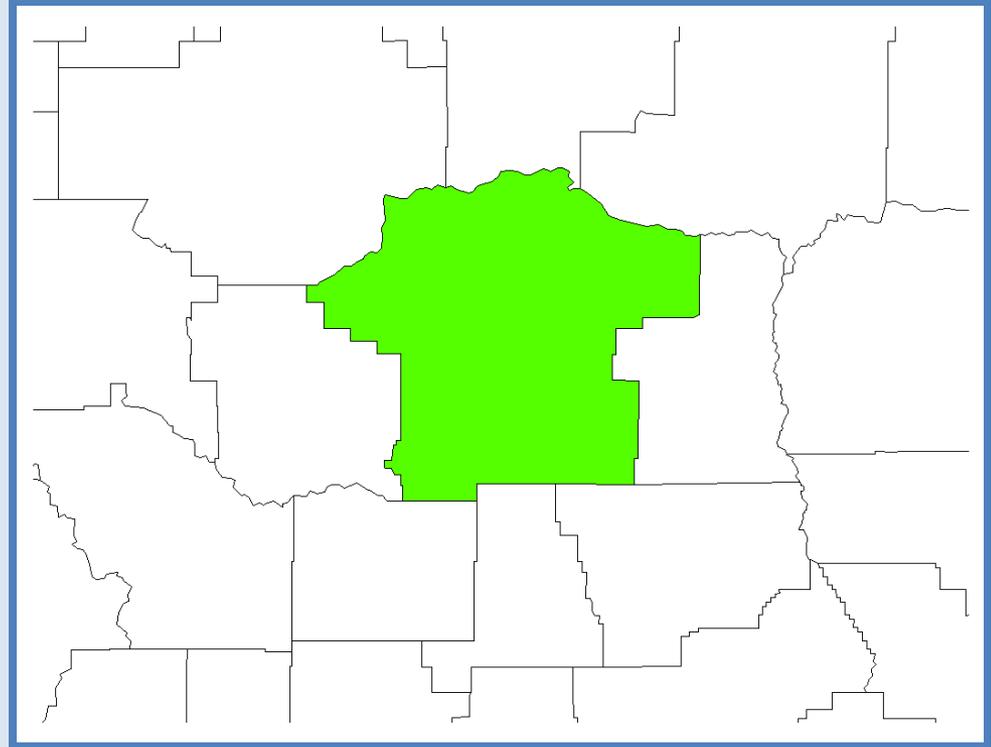
Availability of STAX

- STAX will be offered in all counties in which underlying cotton crop insurance products are offered – includes more than 700 counties
- Offer at a county-level to the greatest extent possible
- If county does not have enough acres & producers for actuarial soundness, then counties will be combined.

Stand-alone or Primary County

County has (by practice)

- ✓ 10+ years of history
 - ✓ 10,000+ acres in past 5 years
 - ✓ 20+ producers in past 5 years
-
- Actuarial offer will include yield history and final yield of only that county (by practice)
 - Some room for judgment for counties that miss criteria by a small amount
 - Accounts for 80% of acres



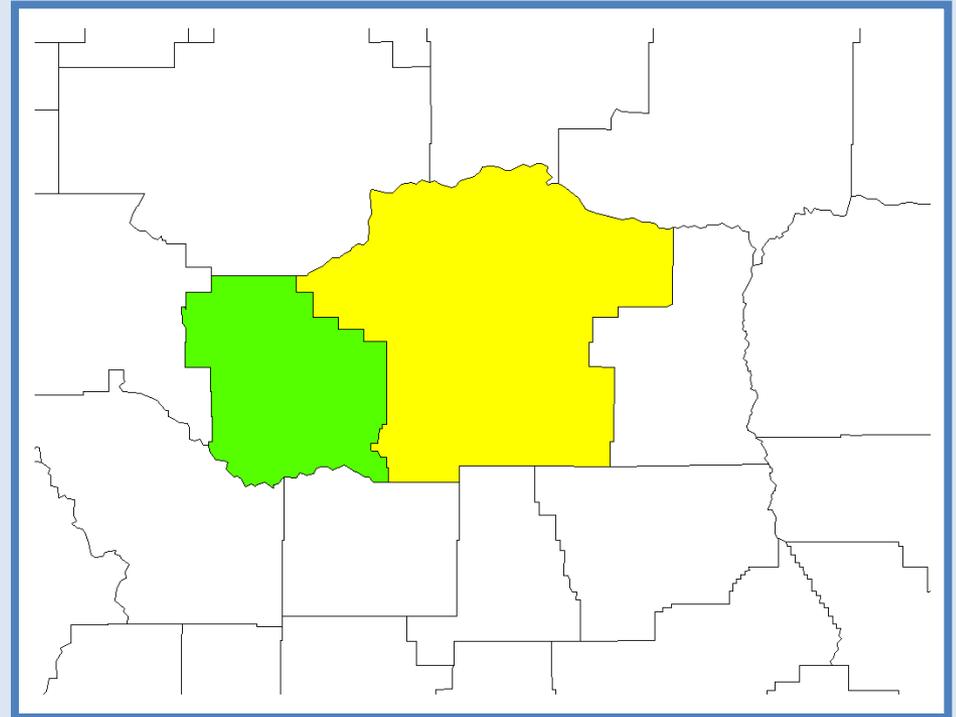
Two County Group (or Proxy County)

County missing one (+) criteria and:

- ✓ Is adjacent to a stand-alone
- Actuarial offer will include yield history and final yield of that county and the adjacent county
- If more than one adjacent county qualifies one is picked considering:
 - A. Yield correlation
 - B. Acreage of stand-alone county

Primary county continues to stand on its own.

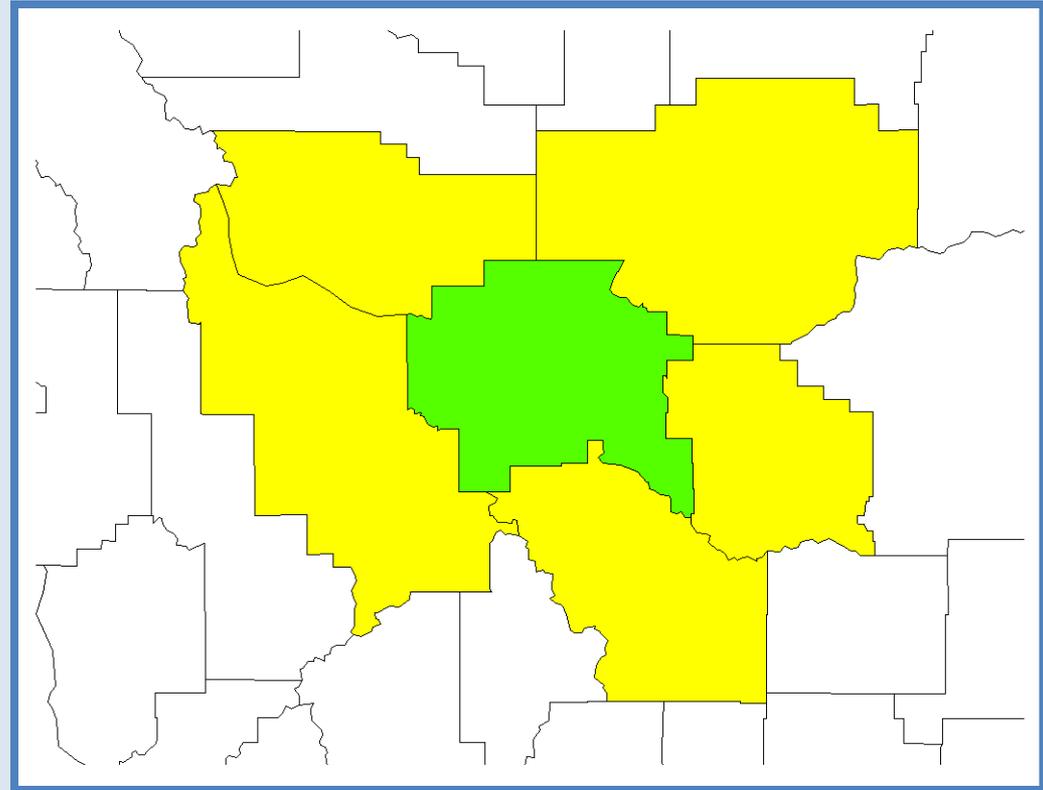
Accounts for another 7-8% of acres.



Circle Group

County missing criteria and:

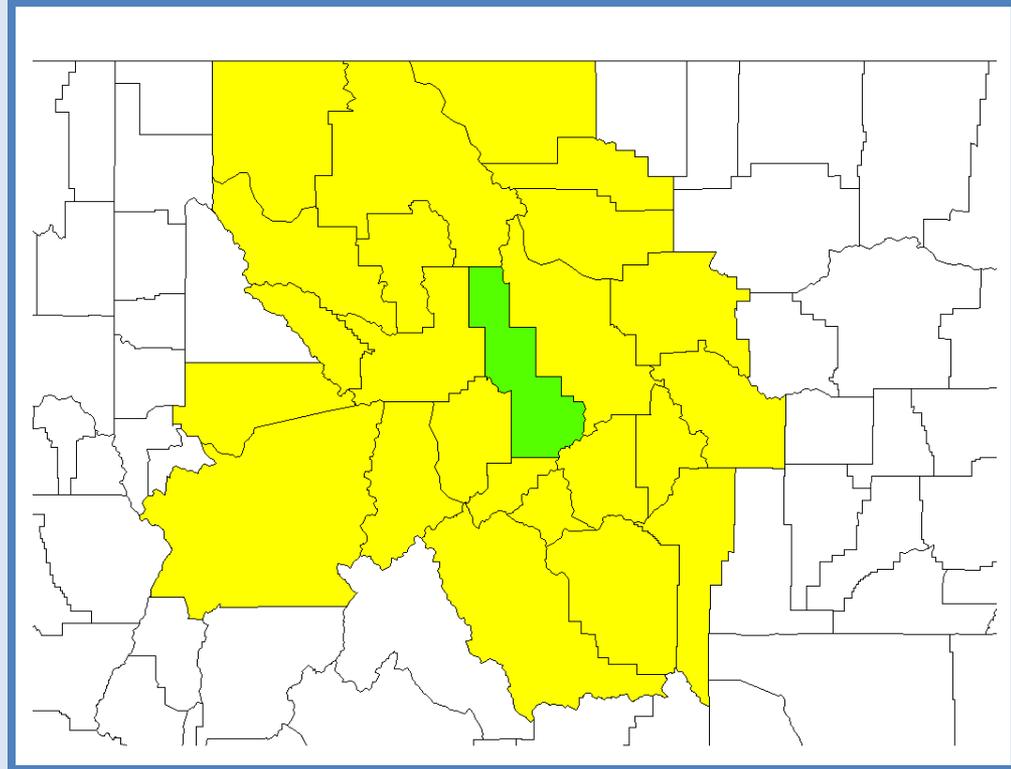
- Is adjacent to a stand-alone
- ✓ Can meet criteria when combined with surrounding adjacent counties?
- Actuarial offer will include yield history and final yield of that county and all of the adjacent counties
- Covers another 7-8% of acres.



Double Circle and NASS District

County missing criteria and:

- Is adjacent to a stand-alone
- Can meet criteria when combined with adjacent counties
- ✓ Can meet criteria when combined with counties at double circle or NASS crop reporting district level
- Actuarial offer will include yield history and final yield of that county and (the option with fewer acres):
 1. All of the adjacent counties and counties adjacent to them
 2. All counties in the NASS district



Outliers

Possible Group Options

A. Nearest stand-alone county

- Practice specific

B. Triple Circle

C. Non-irrigated practice in the county

- For irrigated practice only
- Yield variance of practices considered

D. Geographic grouping

- e.g. a series of counties that all have similar soil, climate, etc.

Finding Your Production Area

- RMA refers to the counties and county groupings as Production Areas
- Production Areas will be reevaluated periodically to determine if still appropriate
- Maps of Production Areas are posted at <http://www.rma.usda.gov/news/currentissues/staxsco/>

STAX Yields

STAX Expected & Actual Yields

- Expected & Actual Yields for STAX are based on crop insurance data
 - Allows for practice specific data in more areas
 - Enables aggregation into larger groups
- RMA yields for area plans are based on future projection of yields
 - Includes projection of yield trends (by practice)
 - Exceptional years (high or low) can be given less weight when calculating projected yield
- STAX Expected Yield may also be based on 5-yr Olympic average
 - Only if the Olympic average is higher than RMA's projected yield

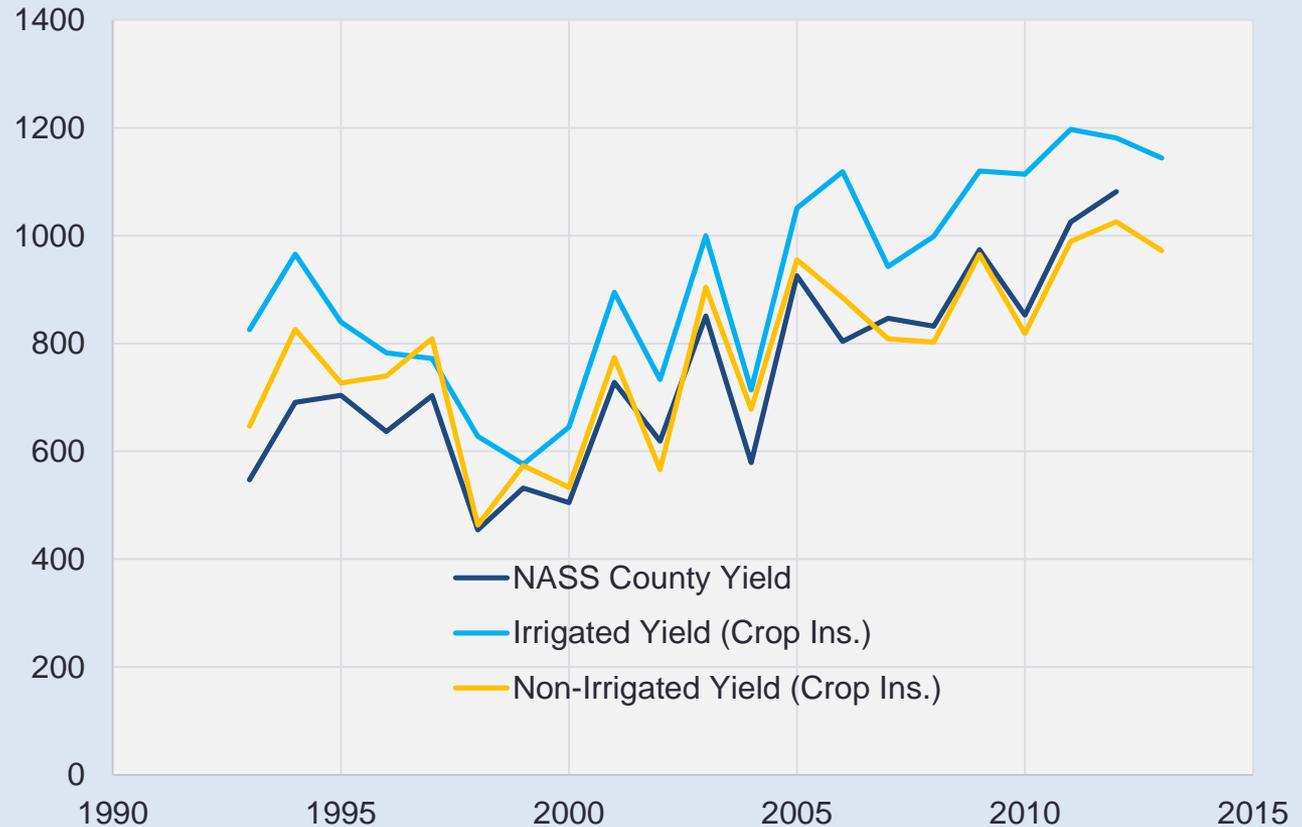
Crop Insurance and NASS Data

Data reflect a sample county

Note that NASS published an aggregated yield for this county

RMA has published their historical yields

Comparison of NASS County Yield and Crop Insurance Yield by Practice



[Available at http://www.cotton.org/econ/cropinfo/cropdata/rma-yield-data.cfm](http://www.cotton.org/econ/cropinfo/cropdata/rma-yield-data.cfm)

STAX Choices

STAX & Harvest Price Option

- As with existing revenue products, producers have choice to include or exclude the Harvest Price Option (HPO)
 - If the Harvest Price is above Projected Price, then HPO will indemnify yield losses at the higher harvest price
 - Overwhelmingly, purchases of individual revenue policies include HPO
- Choices are:
 - STAX – Revenue Protection or
 - STAX – Revenue Protection with Harvest Price Exclusion

STAX & Coverage Band

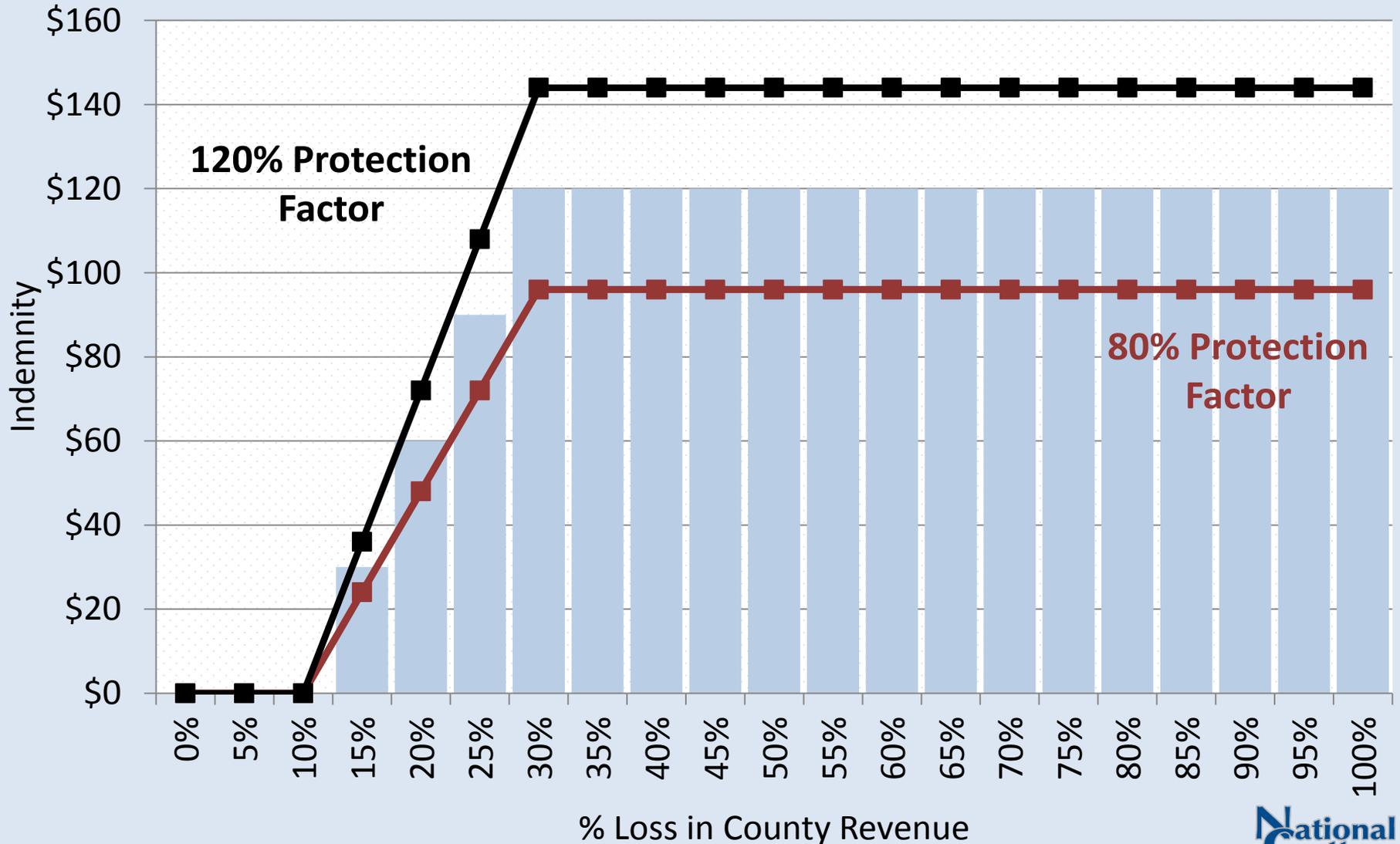
- The widest STAX coverage band is from 90% to 70%
- Both upper and lower end of the range are adjustable in 5% increments
- 10 coverage bands:
 - 90-70%, 90-75%, 90-80%, 90-85%
 - 85-70%, 85-75%, 85-80%
 - 80-70%, 80-75%
 - 75-70%

STAX & the Protection Factor

- Select Protection Factor
 - Feature in existing area-wide insurance products
 - Choose in 1 percentage point increments between 80% and 120%
 - Under a 90-70% STAX policy, the Protection Factor doesn't change when an indemnity is triggered, i.e. there must be a 10% loss in county revenue
 - But the Protection Factor will adjust any indemnity up or down by up to 20% based on selected factor
 - Increases liability and increases premium

Impact of Protection Factor

Assuming Expected County Revenue = \$600



STAX Liability & Premiums

STAX Yields & Premium Rates

- RMA has released expected yields for all counties
- Premium rates also published
 - Since a revenue policy, rates published across a range of price volatility factors
- Information available at Actuarial Information Browser of RMA website
<http://webapp.rma.usda.gov/apps/actuarialinformationbrowser2015/CropCriteria.aspx>

STAX Premium Subsidy

- Premium subsidy is 80%, equals highest available under existing products

		Coverage Level %	50	55	60	65	70	75	80	85	90
Individual Yield & Revenue	Basic & Optional	67	64	64	59	59	55	48	38		
	Enterprise	80	80	80	80	80	77	68	53		
Area-wide Yield/Revenue						64	64	59	59	55	

Dunklin Co, MO STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,073	781
3.	Expected County Revenue (#1 * #2)	\$697	\$508
4.	90% of Expected Revenue (90% * #3)	\$628	\$457
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	\$167	\$122
6.	Premium Rate per \$ of Liability (RMA)	0.2620	0.3384
7.	Total Premium (#6 * #5)	\$44	\$41
8.	Producer Premium (#7 * 0.2)	\$9	\$8

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

Mississippi Co, AR STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,044	828
3.	Expected County Revenue (#1 * #2)	\$679	\$538
4.	90% of Expected Revenue (90% * #3)	\$611	\$484
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	\$163	\$129
6.	Premium Rate per \$ of Liability (RMA)	0.2758	0.3296
7.	Total Premium (#6 * #5)	\$45	\$43
8.	Producer-paid Premium (#7 * 0.2)	\$9	\$9

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

Madison Co, TN STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,077	934
3.	Expected County Revenue (#1 * #2)	\$700	\$607
4.	90% of Expected Revenue (90% * #3)	\$630	\$546
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	\$168	\$146
6.	Premium Rate per \$ of Liability (RMA)	0.2131	0.3523
7.	Total Premium (#6 * #5)	\$36	\$51
8.	Producer-paid Premium (#7 * 0.2)	\$7	\$10

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

Washington Co, MS STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,027	921
3.	Expected County Revenue (#1 * #2)	\$668	\$599
4.	90% of Expected Revenue (90% * #3)	\$601	\$539
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	\$160	\$144
6.	Premium Rate per \$ of Liability (RMA)	0.2106	0.3955
7.	Total Premium (#6 * #5)	\$34	\$57
8.	Producer-paid Premium (#7 * 0.2)	\$7	\$11

* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

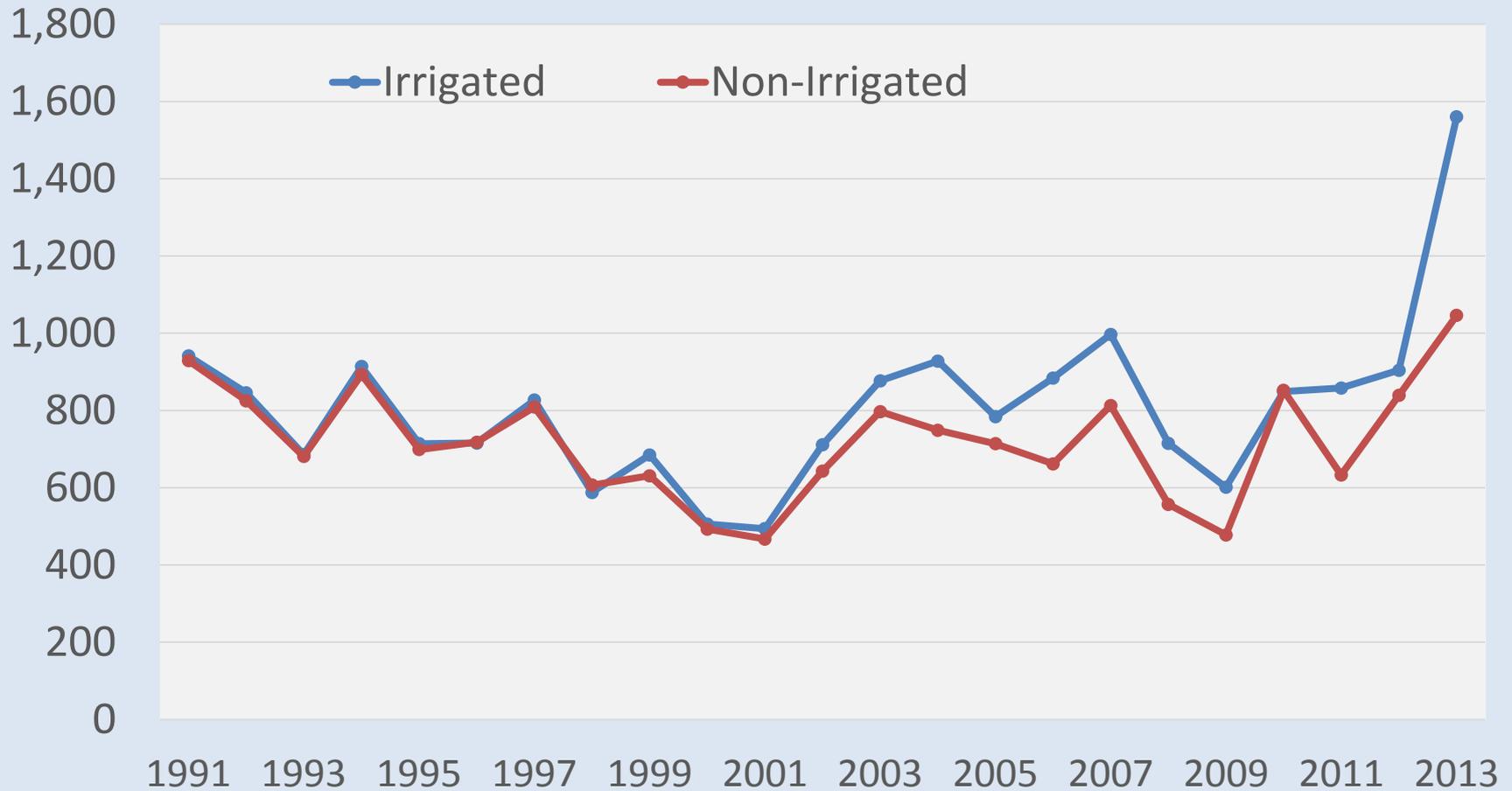
Ouachita Par, LA STAX Calculations*

		Irrigated	Non-Irrigated
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	908	775
3.	Expected County Revenue (#1 * #2)	\$590	\$504
4.	90% of Expected Revenue (90% * #3)	\$531	\$453
5.	Maximum Indemnity @ 1.2 Prot Factor (1.2*(20% of #3))	\$142	\$121
6.	Premium Rate per \$ of Liability (RMA)	0.3999	0.4179
7.	Total Premium (#6 * #5)	\$57	\$51
8.	Producer-paid Premium (#7 * 0.2)	\$11	\$10

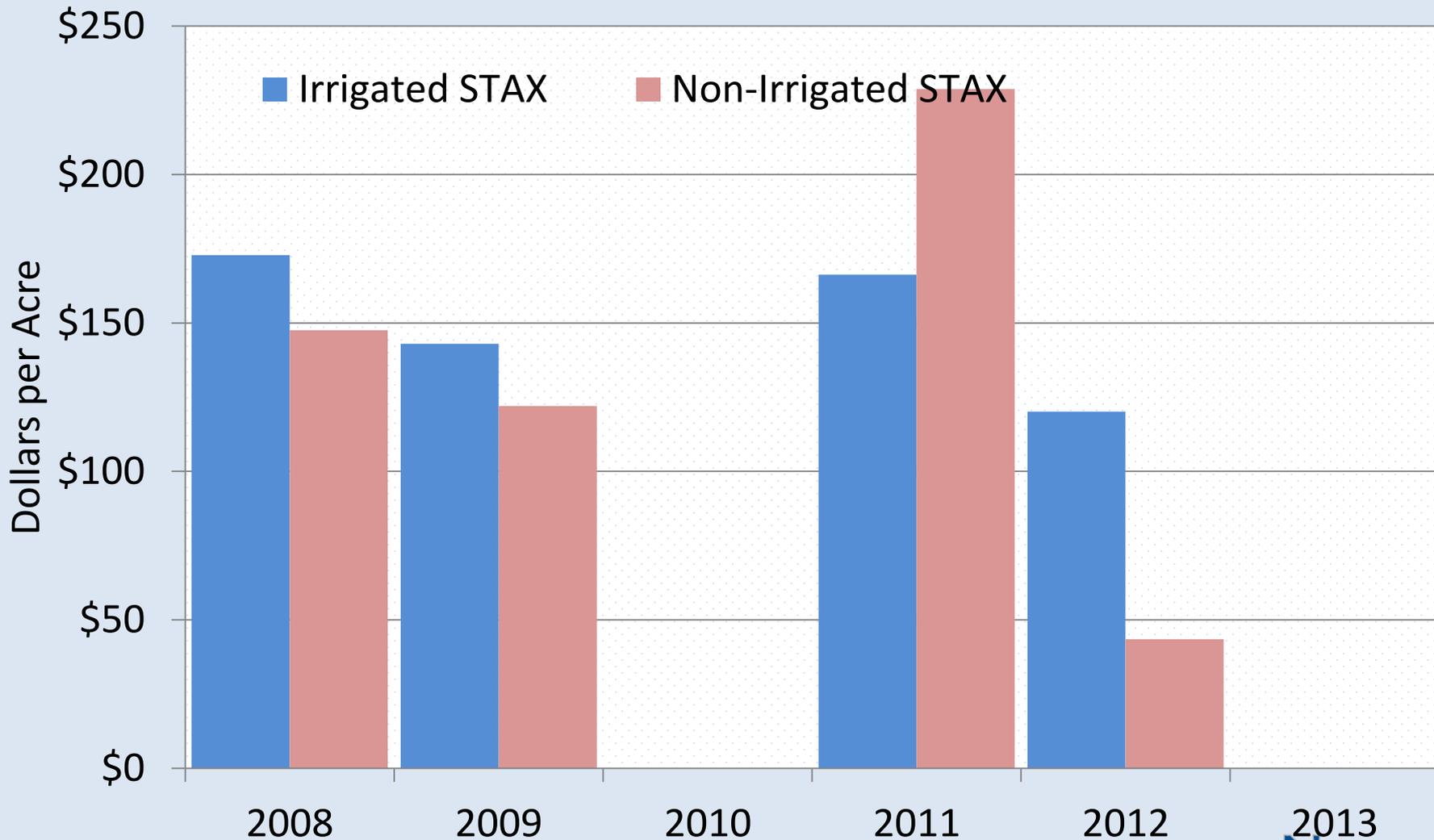
* Premium based on STAX with Harvest Price Option an assumes price volatility factor of 0.15. Final volatility factor will be determined during price discovery period.

RMA Production-Area Yields

Ouachita Par, LA Yields

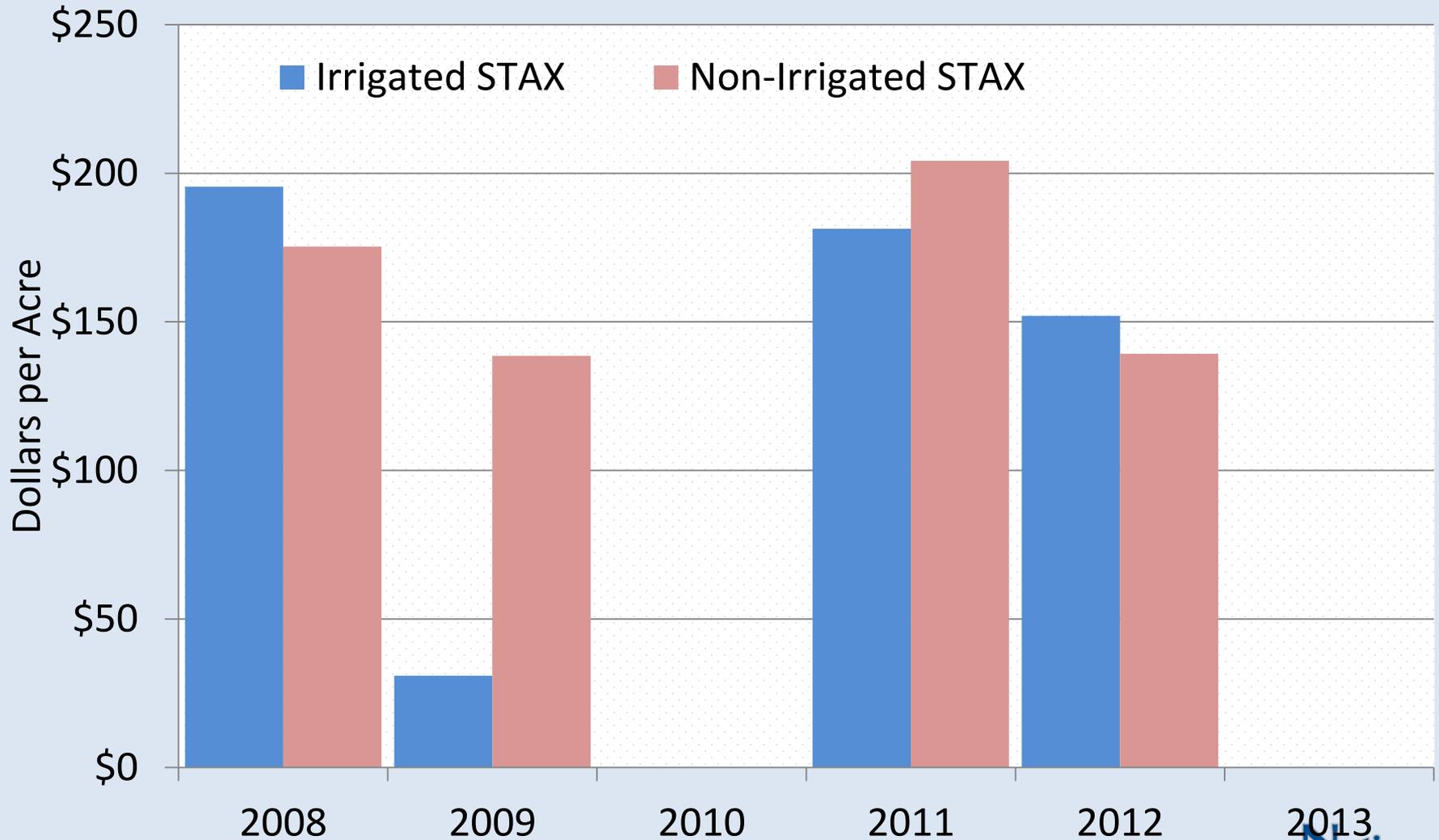


Historical Illustration of Ouachita Par. LA STAX Indemnities



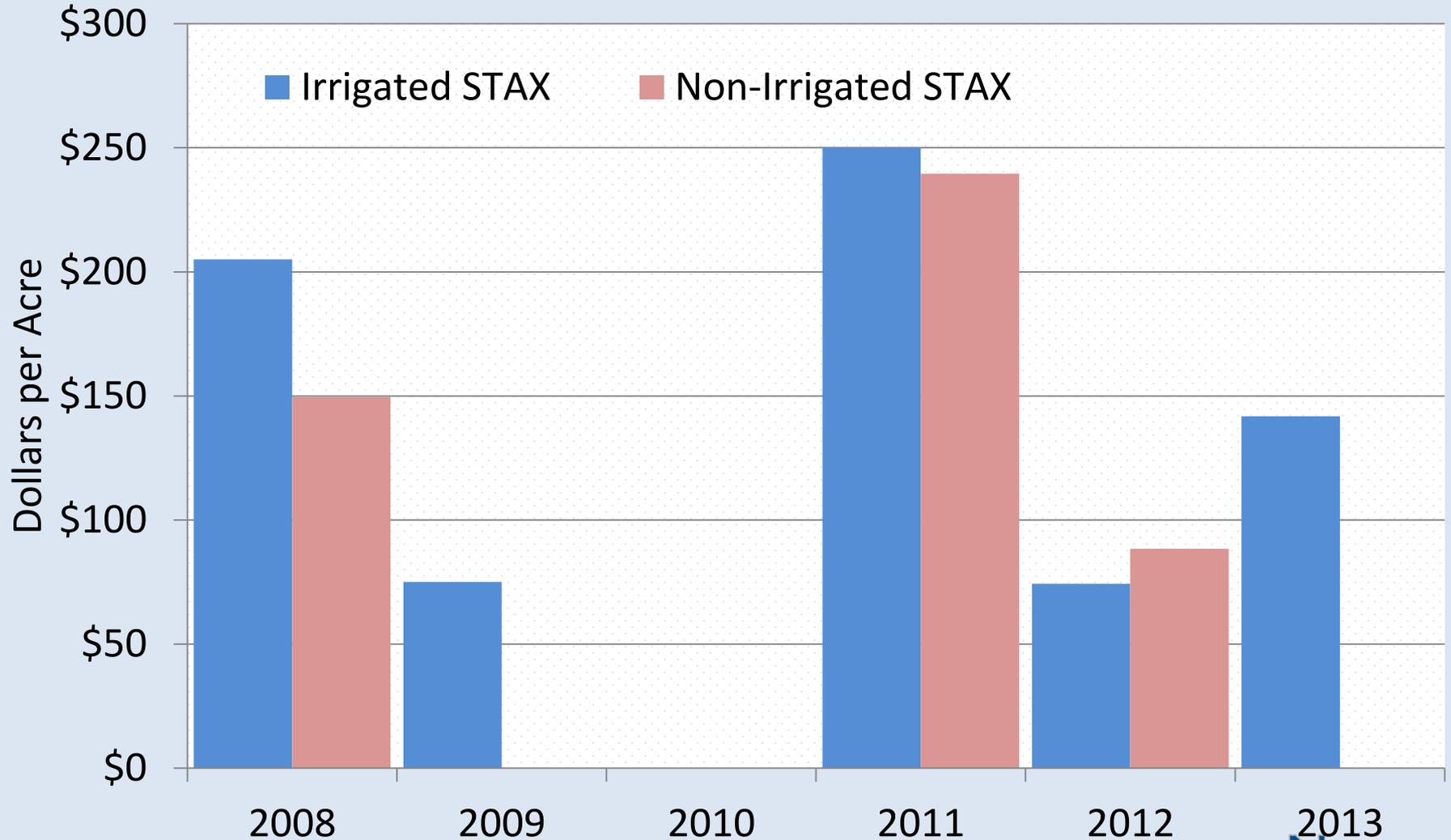
Assumes 90-70% STAX and 120% Protection Factor

Historical Illustration of Washington Co, MS STAX Indemnities



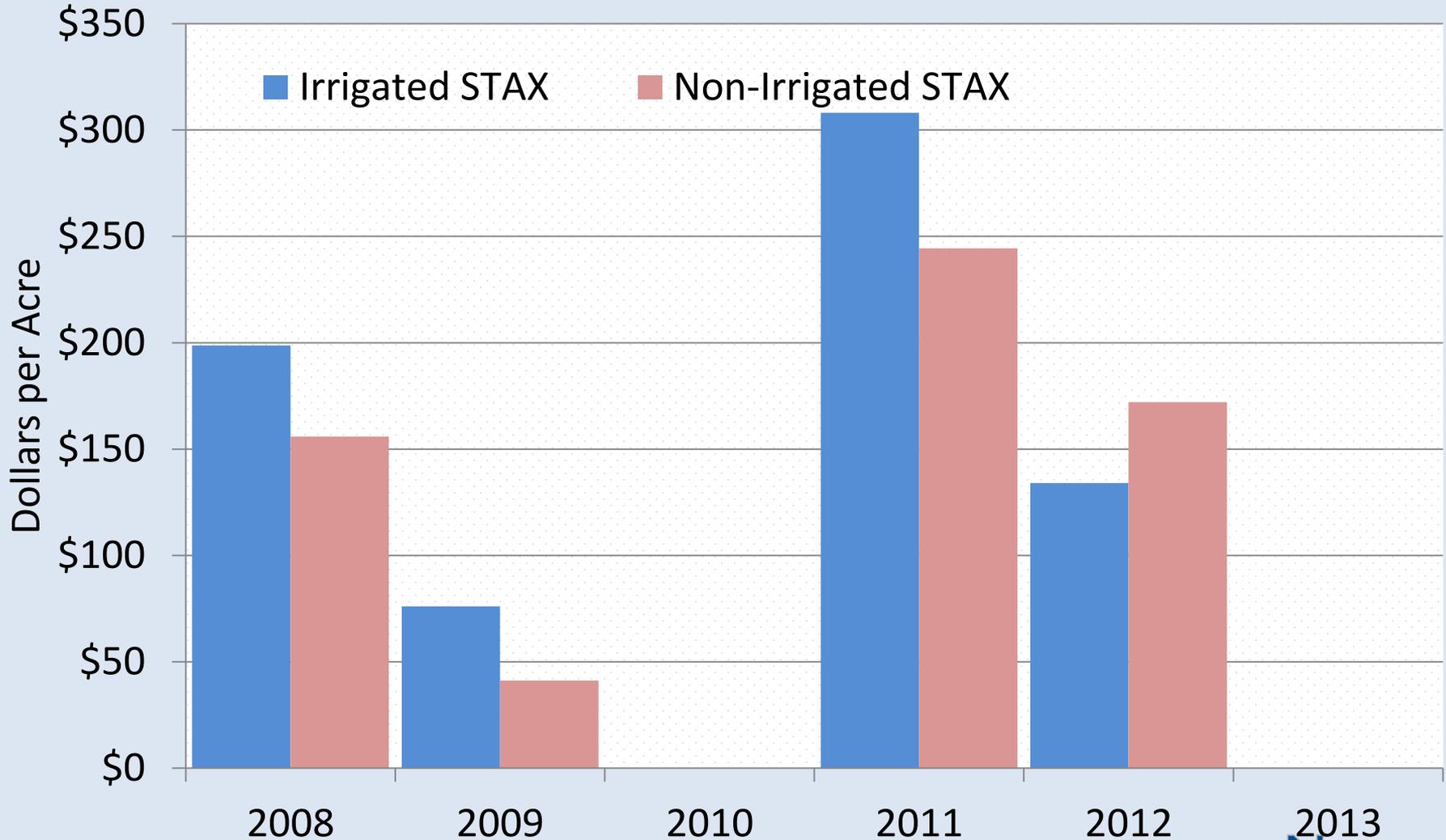
Assumes 90-70% STAX and 120% Protection Factor

Historical Illustration of Madison Co, TN STAX Indemnities



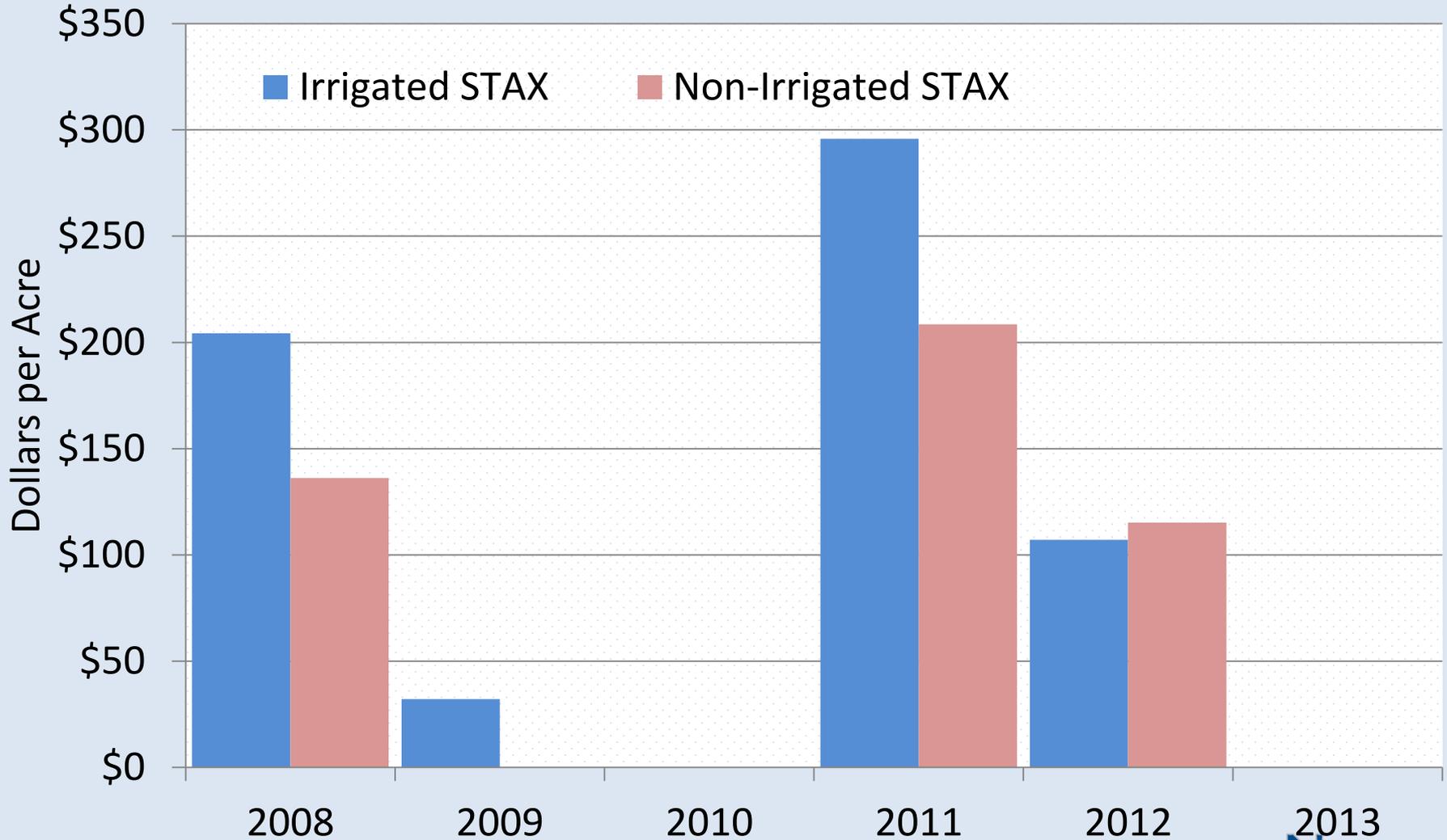
Assumes 90-70% STAX and 120% Protection Factor

Historical Illustration of Mississippi Co, AR STAX Indemnities



Assumes 90-70% STAX and 120% Protection Factor

Historical Illustration of Dunklin Co, MO STAX Indemnities



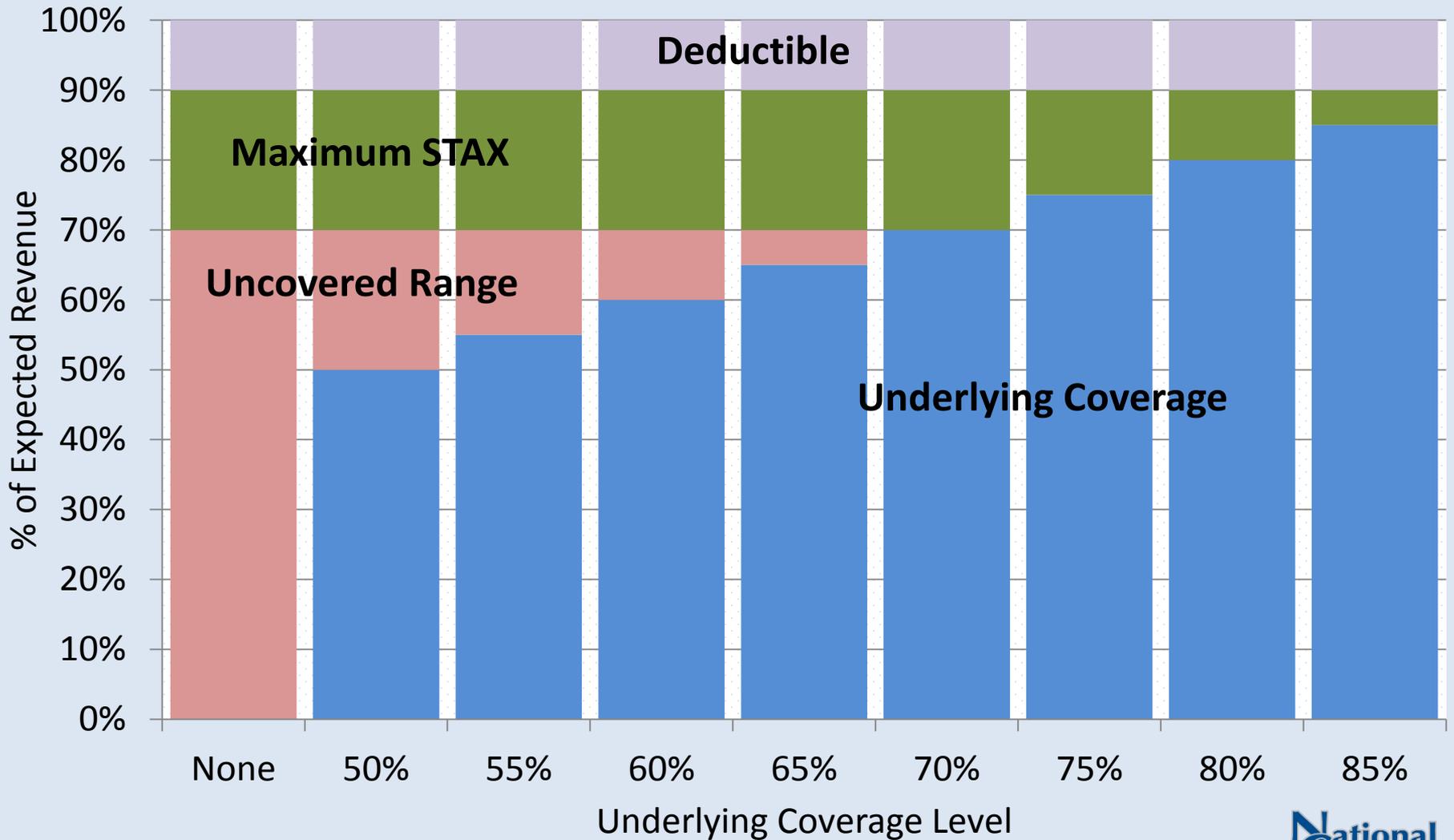
Assumes 90-70% STAX and 120% Protection Factor

STAX & Underlying Coverage

STAX & Existing Insurance Coverage

- Designed to be a complement to existing coverage
- May be purchased as the only insurance policy covering that acre; or purchased in addition to CAT coverage or existing buy-up product
 - Note: Lower band of STAX coverage may not overlap the coverage level of another insurance policy on that same acre

Insurance Coverage Choices



Considerations if Coverage >70%

- Premium savings
- Area-wide coverage vs. individual coverage
 - Does individual yield experience correlate with area-wide experience?

Supplemental Coverage Option

Supplemental Coverage Option

- New product for upland cotton & other crops beginning in 2015
- May not be purchased on cotton acres covered by STAX
- Must purchase underlying insurance policy
 - Provides coverage for portion of a producer's deductible
- Indemnities triggered on county yield or revenue experience, depending on underlying coverage

Additional SCO Features

- SCO deductible is 14%
 - Indemnities triggered if county yield/revenue falls below 86% of expected yield/revenue
 - % by which county yield/revenue falls below 86% determines indemnity that is adjusted based on value of the producer's individual indemnity
- SCO coverage extends down to the coverage level of the underlying policy
- SCO premium subsidy is 65%

Considerations for STAX or SCO

	SCO	STAX
Underlying Coverage Required	Yes	No
Area-wide Trigger	Yes; Yield or Revenue; depending on ind. policy	Yes; Revenue
Deductible	14% fixed	10% minimum
Coverage Band	Down to underlying coverage	Down to 70%
Premium Subsidy	65%	80%
Indemnity	Paid on % of Individual's deductible	Paid on county shortfall, adjusted by protection factor

Key Questions

- Is your individual APH well above the expected county yield?
- Is your underlying coverage less than 70%?
- Remember that both STAX and SCO trigger off county experience, at 90% & 86%, respectively.

Dunklin Co, MO STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,073	1,073	1,073
3.	Expected County Revenue (#1 * #2)	\$697	\$697	\$697
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$628	\$600	\$600
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$167	\$112	\$181
6.	Premium Rate per \$ of Liability (RMA)	0.262	0.2203	0.1526
7.	Total Premium (#6 * #5)	\$44	\$25	\$28
8.	Producer Premium (#7 * 0.2 or 0.35)	\$9	\$9	\$10

* Premium based price volatility factor of 0.15.

Dunklin Co, MO STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	781	781	781
3.	Expected County Revenue (#1 * #2)	\$508	\$508	\$508
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$457	\$437	\$437
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$122	\$81	\$132
6.	Premium Rate per \$ of Liability (RMA)	0.3384	0.3001	0.2300
7.	Total Premium (#6 * #5)	\$41	\$24	\$30
8.	Producer Premium (#7 * 0.2 or 0.35)	\$8	\$9	\$11

* Premium based price volatility factor of 0.15.

Mississippi Co, AR STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,044	1,044	1,044
3.	Expected County Revenue (#1 * #2)	\$679	\$679	\$679
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$611	\$584	\$584
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$163	\$109	\$176
6.	Premium Rate per \$ of Liability (RMA)	0.2758	0.2327	0.1643
7.	Total Premium (#6 * #5)	\$45	\$25	\$29
8.	Producer Premium (#7 * 0.2 or 0.35)	\$9	\$9	\$10

* Premium based price volatility factor of 0.15.

Mississippi Co, AR STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	828	828	828
3.	Expected County Revenue (#1 * #2)	\$538	\$538	\$538
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$484	\$463	\$463
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$129	\$86	\$140
6.	Premium Rate per \$ of Liability (RMA)	0.3296	0.2815	0.2043
7.	Total Premium (#6 * #5)	\$43	\$24	\$29
8.	Producer Premium (#7 * 0.2 or 0.35)	\$9	\$8	\$10

* Premium based price volatility factor of 0.15.

Madison Co, TN STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,077	1,077	1,077
3.	Expected County Revenue (#1 * #2)	\$700	\$700	\$700
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$630	\$602	\$602
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$168	\$112	\$182
6.	Premium Rate per \$ of Liability (RMA)	0.2131	0.1693	0.1055
7.	Total Premium (#6 * #5)	\$36	\$19	\$19
8.	Producer Premium (#7 * 0.2 or 0.35)	\$7	\$7	\$7

* Premium based price volatility factor of 0.15.

Madison Co, TN STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	934	934	934
3.	Expected County Revenue (#1 * #2)	\$607	\$607	\$607
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$546	\$522	\$522
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$146	\$97	\$158
6.	Premium Rate per \$ of Liability (RMA)	0.3523	0.3189	0.2519
7.	Total Premium (#6 * #5)	\$51	\$31	\$40
8.	Producer Premium (#7 * 0.2 or 0.35)	\$10	\$11	\$14

* Premium based price volatility factor of 0.15.

Washington Co, MS STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	1,027	1,027	1,027
3.	Expected County Revenue (#1 * #2)	\$668	\$668	\$668
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$601	\$574	\$574
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$160	\$107	\$174
6.	Premium Rate per \$ of Liability (RMA)	0.2106	0.1689	0.1108
7.	Total Premium (#6 * #5)	\$34	\$18	\$19
8.	Producer Premium (#7 * 0.2 or 0.35)	\$7	\$6	\$7

* Premium based price volatility factor of 0.15.

Washington Co, MS STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	921	921	921
3.	Expected County Revenue (#1 * #2)	\$599	\$599	\$599
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$539	\$515	\$515
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$144	\$96	\$156
6.	Premium Rate per \$ of Liability (RMA)	0.3955	0.3334	0.2239
7.	Total Premium (#6 * #5)	\$57	\$32	\$35
8.	Producer Premium (#7 * 0.2 or 0.35)	\$11	\$11	\$12

* Premium based price volatility factor of 0.15.

Ouachita Par, LA STAX & SCO*

Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	908	908	908
3.	Expected County Revenue (#1 * #2)	\$590	\$590	\$590
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$531	\$508	\$508
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$142	\$94	\$153
6.	Premium Rate per \$ of Liability (RMA)	0.3999	0.3442	0.2745
7.	Total Premium (#6 * #5)	\$57	\$33	\$42
8.	Producer Premium (#7 * 0.2 or 0.35)	\$11	\$11	\$15

* Premium based price volatility factor of 0.15.

Ouachita Par, LA STAX & SCO*

Non-Irrigated Practice

		STAX: 90-70%	SCO: 86-70%	SCO: 86-60%
1.	Insurance Projected Price (Assumed)	\$0.65	\$0.65	\$0.65
2.	Expected County Yield/Pltd Acre (RMA)	775	775	775
3.	Expected County Revenue (#1 * #2)	\$504	\$504	\$504
4.	Trigger % of Expected Revenue (90% or 86% * #3)	\$453	\$433	\$433
5.	Maximum Indemnity (STAX:1.2*(20% of #3), SCO:16% or 26% of #3)	\$121	\$81	\$131
6.	Premium Rate per \$ of Liability (RMA)	0.4179	0.3675	0.2940
7.	Total Premium (#6 * #5)	\$51	\$30	\$39
8.	Producer Premium (#7 * 0.2 or 0.35)	\$10	\$10	\$13

* Premium based price volatility factor of 0.15.

Other Crop Insurance Changes

- Enhanced coverage options by enterprise units
 - Makes permanent 80% premium subsidy
 - Allows for enterprise unit coverage by irrigated and non-irrigated practices
- Allows for different coverage levels by irrigated/non-irrigated practice

Other Crop Insurance Changes

- Adjustment in APH insurable yields
 - Producer may opt to exclude any year from APH if yield in county in that year is less than 50% of ten-year county average; Also applies to contiguous counties and allows for the separation of irrigated and non-irrigated acres
 - More details in December
 - Peanut revenue coverage
- Conservation compliance required for insurance premium subsidy
 - Must file AD-1026 by June 1, 2015

Other Farm Bill Issues

Key Decision Dates

- Sep 29, '14 – Feb 27, '15: Retain or re-allocate covered commodity bases and update payment yield by landowner
- Nov 17, '14 – Mar 31, '15: PLC or ARC per farm per covered commodity base by all producers (POA)
- April '15 – Summer '15: '14 and '15 crop annual sign-up
- Oct '15 – '14 PLC/ARC payments due

Payment Acres for PLC or ARC-CO

- 85% of sum of base acres for each covered commodity and any generic base attributed to the covered commodity
- When generic acres planted to one or more covered commodities, special rules for calculating total payment acres

Understanding Generic Base

- Did the farm have cotton base in 2013?
 - If yes, then those base acres became generic base in 2014 through 2018.
- Are there (or will there be) covered commodities (grains, oilseeds, rice, peanuts) planted on the farm in '14-18?
 - If yes, then all or a portion of generic base acres eligible to receive PLC/ARC payments in that year.

Attributing Generic Base

2015 Base	Generic	Wheat	Total
# of Base Acres	100	100	200
2015 Planted	Cotton	Wheat	Total
# of Planted Acres	100	100	200
(Individual Covered Commodity Planted) as % of (Total Covered Commodity Planted)		100/100 = 100%	
Generic Base Attributed		100	
2015 Effective Base for PLC/ARC		200	200
2015 Payment Acres for PLC/ARC	0	85%*200	170

Upland Cotton Marketing Loan

- Loan rate set by formula using average of AWP for 2 most recently completed marketing years, as of Oct 1 in year prior to planting
 - Loan rate does not change during marketing year
- Loan rate for base quality not less than 45 cents or greater than 52 cents
- For 2015, base loan rate set at 52 cents
- MLGs & LDPs now subject to payment limit

Payment Limits

- \$125K limit/entity for PLC, ARC, MLG, LDP
 - Separate limit for peanuts
 - Does not apply to eligibility for crop insurance premium subsidies
- USDA developing interim and longer-term process for applying MLG/LDP to payment limit
- Coops or producer responsible for overpayment
- NCC Briefing Paper included in handout

AGI Means Test

- If 3-yr avg AGI > \$900K, then ineligible for PLC, ARC, MLG and LDP
- New procedure for AGI certification/verification
 - Producer must file CCC-941
 - IRS will verify eligibility
 - Coops and LSAs can redeem loans at AWP w/o verifying certification/verification
 - Producer can redeem loans at AWP/receive LDP if certification on file prior to verification by IRS
 - If determined ineligible, repayment required

Resources

- Texas A&M Ag and Food Policy Center decision tool <https://decisionaid.afpc.tamu.edu/>
- University of Illinois farm bill toolbox <http://farmbilltoolbox.farmdoc.illinois.edu/>
- USDA-RMA Farm Bill page <http://www.rma.usda.gov/news/currentissues/farmbill/index.html>
- USDA-FSA website <http://www.fsa.usda.gov/FSA/>
- Check your state university extension website

Final Questions?

Presentation and Summary
available for NCC members
at www.cotton.org

Producers Cooperatives

Ginners Cottonseed Merchants

Warehouses Manufacturers