

Federal Policy Update

West Texas Agricultural Chemicals Institute Conference
September 11, 2018



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Overview

- 2018 Seed-Cotton Program Implementation
- House/Senate Farm Bills – Conference Status
- Tariff Mitigation Relief Plan, NAFTA
- Elections



Seed Cotton At A Glance

- Seed Cotton – Included as a covered commodity effective with the 2018-crop year.
- Seed Cotton – Unginned upland cotton that includes both lint and seed.
- Pay Limit – seed cotton program payments will fall under the unified payment limit for ARC, PLC and marketing loan benefits which is set at \$125,000 per person.
- If you determine any of the prepopulated data is incorrect, incomplete, or missing you must contact the county office where the farm is administratively located to provide verifiable documentation of your acreage as soon as possible, but **no later than 60 days from the date of the letter you received.** – Typically most went out August 1, 2018
- **Sign-up Period: July 30 – December 7, 2018**

Seed Cotton At A Glance Continued..

- Seed Cotton Reference Price = \$0.367/lb
- Seed Cotton Loan Rate = \$0.25/lb

(used **ONLY** to calculate the maximum PLC Payment rate)

- 2018 Marketing Year = August 1, 2018 – July 31, 2019
- Payment Yield = 2.4 times the Counter-cyclical payment yield for cotton lint established in the 2008 Farm Bill
(including a one-time opportunity to update the payment yield just like other covered commodities in 2014 Farm Bill)
- Payment Acres – Generic Base reallocated to create Seed Cotton base

* Generic base acres ARE NOT in effect beginning with the 2018 Crop

ARC/PLC Seed Cotton Sign-up Steps



- Step 1: Generic Base Allocation
 - Landowner(s) decision
- Step 2: PLC Payment Yield Update
 - Landowner(s) decision
- Step 3: ARC/PLC Election for 2018
 - Producer(s) decision
- Step 4: 2018 ARC/PLC Enrollment
 - Producer(s) decision
- First payments (for 2018 crop) in October 2019

House/Senate Farm Bills – Conference Status

2018 Farm Bill Timeline

- House passed farm bill on June 21 on a vote of 213-211 vote
- Senate passed farm bill on June 28 on a vote of 86 – 11 vote
- House appointed 47 conferees on July 18th
- Senate appointed 9 conferees on August 1st
- First Formal Conference Committee Meeting took place September 5th
- 2014 Farm Bill expires on September 30, 2018

2018 Farm Bill – Title I (ARC/PLC)

House

- Continues the ARC-County and PLC programs with current reference prices – \$0.367/lb for seed cotton.
- Includes a reference price escalator provision based on 85% of the 5-year Olympic average of marketing year average (MYA) prices, not to exceed 115% of the reference price.
- One time, crop by crop election between ARC and PLC for the 2019 through 2023 crop years.
- Repeals the ARC-Individual coverage option.

Senate

- Continues the ARC-County and PLC programs with current reference prices – \$0.367/lb for seed cotton.
- One time, crop by crop election between ARC and PLC for the 2019 through 2023 crop years. If no decision is made between ARC and PLC, then no payments are made for 2019, and ARC-County is the default option for 2020 – 2023.
- Maintains the ARC-Individual coverage option.

2018 Farm Bill – Title I (ARC/PLC)

House

- Unplanted base acres: farms with base acres and no covered commodity planted or prevented planting at any point from 2009 through 2017, the base acres become unassigned and ineligible for any ARC/PLC payments.
- Drought triggered payment yield update: farms in counties with a D4 drought declaration for 20 or more consecutive weeks during 2008 through 2012 are eligible to update payment yields based on 90% of the farm's average yields for the 2013 through 2017 crop years for the years the crop was planted. Includes option to use a yield plug for any years based on 75% of the county average yield for the 2013 through 2017 crop years.

Senate

- Requires USDA to announce ARC-County and PLC payment rates within 30 days following end of the crop's marketing year.
- Includes some enhancements to ARC-County:
 - ARC payments must be based on physical location of the farm.
 - Increases the T-Yield for yield substitutions under ARC from 70 percent to 75 percent.
 - Requires use of trend-adjusted yields for actual crop revenue and benchmark revenue determinations under ARC.
 - Implements a new actual county yield component to improve accuracy and mitigate disparities in ARC payments between counties.

2018 Farm Bill – Title I (Marketing Loan)

House

- Non-recourse marketing loan program continued with current loan rates.
- Upland cotton loan rate based on 2- year moving average of the AWP, not to exceed \$0.52/lb or less than \$0.45/lb, and the loan rate decline in any given year is limited to 2% of the previous year's loan rate.
- Maintains cotton storage credits.

Senate

- Non-recourse marketing loan program continued with current loan rates.
- Upland cotton loan rate continued based on 2-year moving average of the AWP, not to exceed \$0.52/lb or less than \$0.45/lb.
- Maintains cotton storage credits.

2018 Farm Bill – Title I (Pay Limits/Eligibility)

House

- Continues current \$125,000 per person payment limit for ARC/PLC payments; no longer applies to marketing loan benefits; maintains separate \$125,000 limit for peanuts.
- Continues availability of commodity marketing certificates.
- Continues current adjusted gross income (AGI) test of \$900,000 per person.
- Broadens definition of family member for actively engaged determination for program eligibility to include nieces, nephews and first cousins.
- Applies the payment limit and AGI to each individual in a pass-through entity (S corp, LLC) rather than the entity itself (i.e. treats pass-through entities like general partnerships and joint ventures)

Senate

- Continues current \$125,000 per person payment limit for ARC/PLC payments; maintains separate \$125,000 limit for peanuts.
- Continues availability of commodity marketing certificates.
- Lowers current adjusted gross income (AGI) test from \$900,000 per person/entity to \$700,000 per person/entity.
- Includes tighter actively engaged provisions that limit only one person or entity in a farm operation to meet actively engaged requirement by providing management activities – all other persons or entities must provide labor contribution to meet requirements for program eligibility. Significant contribution of active personal management is defined as either 500 hours annually or 25% of the management hours necessary for the operation annually.

2018 Farm Bill – Title II (Conservation)

House

- *Conservation Reserve Program (CRP)*
- Increases acreage limitation by 1 million acres per year for life of the bill; reaching 29 million in 2023.
- Acreage increases by state will be based on the state's historical enrollment.
- Contracts are 10 to 15 years for general sign up and 15 to 30 years for continuous sign up
- Caps rental rates at 80% of NASS county average and requires NASS to calculate rental rates every year.
- Reduces cost share payments to not more than 40% of the cost and caps seed cost share at not more than 25% of the cost of the seed mixture.
- Reduces rental payments by 10% for each subsequent reenrollment.

Senate

- *Conservation Reserve Program (CRP)*
- Increases acreage limitation by 1 million acres from 24 million to 25 million acres.
- Payments shall not exceed 88.5% of the estimated rental rates.
- Prioritizes land designated as State acres for wildlife enhancement area with at least 30% of continuous CRP acres for this purpose.
- Prioritizes land that will help address sediment and nutrient issues to improve water quality with at least 40% of continuous CRP acres for this purpose.

2018 Farm Bill – Title II (Conservation)

House

- Eliminates CSP and adds enhancements within EQIP
- EQIP – increases funding to \$3 billion by FY' 23 while incorporating the enhancement provisions of CSP; expands eligibility to include irrigation districts and associations
- Eliminates provision targeting funds to livestock operations

Senate

- CSP capped at 8.797 million acres and allows for one contract renewal
- EQIP – reduces funding incrementally over the life of the bill by \$61 million in FY' 19 and \$158 million in FY' 23
- 50% of funds targeted to livestock operations

2018 Farm Bill – Title III (Trade)

House

- Creates an International Market Development Program that combines the current Market Access Program (MAP), Foreign Market Development program (FMD), Emerging Markets Program (EMP), and Technical Assistance for Specialty Crops (TASC).
- Funded at \$255 million annually with funds allocated to individual programs based on current funding levels (i.e. \$200 million for MAP and \$34.5 million for FMD).

Senate

- Creates a Priority Trade Promotion, Development, and Assistance Program that combines the current Market Access Program (MAP), Foreign Market Development program (FMD), Emerging Markets Program (EMP), and Technical Assistance for Specialty Crops (TASC).
- Funded at \$259.5 million annually with funds allocated to individual programs based on current funding levels (i.e. \$200 million for MAP and \$34.5 million for FMD), with potentially \$6 million in remaining funds annually that the Secretary has discretion to allocate to one or more of the programs.

2018 Farm Bill Conference Challenges



- Several Issues to be Resolved
 - Nutrition (Title 4) policy differences
 - Sen. Grassley – Actively engaged/eligibility rules and Senate AGI levels
 - Conservation Reserve Program differences
- Timeline
 - September 5th Conference Committee meeting
 - Goal September 30th to complete the bill
 - 12 – Working days in Senate
 - 7 – Working day sin House
- Other issues causing a wrinkle in the process
 - 2019 Spending Bill
 - Supreme Court Justice Confirmation

Tariff Relief Plan

- Funds utilized through the Commodity Credit Corporation, will provide short-term assistance of up to \$12 billion dollars in response to an estimated impact of \$11 billion dollars to the US agriculture sector due to trade retaliation.

Assistance broken down into three programs:

- The Market Facilitation Program (MFP) - which focuses to provide direct assistance to producers of soybeans, sorghum, corn, wheat, cotton, dairy and swine based on a producers **2018 production**.
- The Food Purchase and Distribution Program (FPDP) - direct buy up of excess production of fruits, nuts, rice, legumes, beef, pork and milk for donation to feeding programs like food banks.
- The Trade Promotion Program (TPP) - would work similar to how the market access program and foreign market development programs operate today in order to try and assist in developing new export markets for agriculture products without tariffs in place.

Tariff Relief Plan Details – MFP – Cotton

- Market Facilitation Program (MFP)
- Cotton payment rate set at (\$0.06/lb) for initial 50% of production. Second payment period, if warranted will be determined by USDA at later date.
- Payments made once production evidence is provided.
- Subject to separate combined \$125,000 payment limit for corn, cotton, sorghum, soybeans and wheat. Adjusted Gross Income (AGI) must be less than \$900,000.

Tariff Relief Plan Details – MFP

Marketing Facilitation Program		
Commodity	Initial Payment Rate	Est Initial Payment** (in \$1,000s)
Cotton	\$0.06/lb.	\$276,900
Corn	\$0.01/bu.	\$96,000
Dairy (milk)	\$0.12/cwt.	\$127,400
Pork (hogs)	\$8.00/head	\$290,300
Soybeans	\$1.65/bu.	\$3,629,700
Sorghum	\$0.86/bu.	\$156,800
Wheat	\$0.14/bu.	\$119,200
Total		\$4,696,300

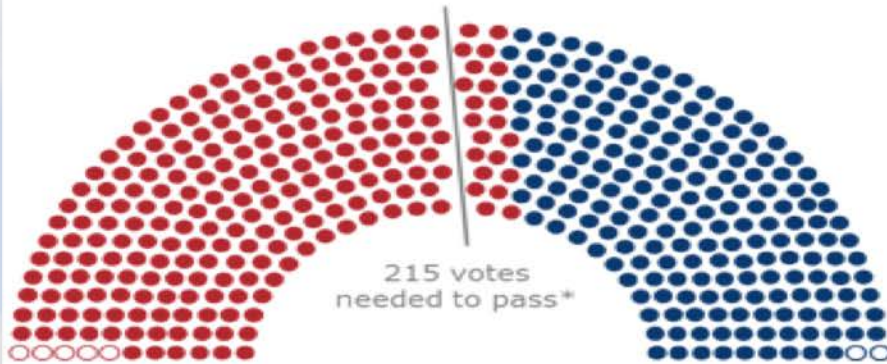
NAFTA Renegotiation

- U.S. and Mexico have reached an agreement. Canada TBD
 - Tariffs on ag productions traded between US and Mexico will remain at zero
 - Sets unprecedented standards for Ag Biotechnology
 - Provides significant commitments to reduce trade distorting policies, improve transparency, and ensure non-discriminatory treatment for ag product standards
 - Enhances rules for science-based sanitary and phytosanitary measures
 - Prohibits barriers for alcoholic beverages
 - New protections for proprietary food formulas
- Presented agreement to Congress on Friday August 31st – 90 days later (November 29) agreement can be signed only if the text is released by September 30th.
- Politically Newly Elected President of Mexico's term begins December 1st

2018 Elections

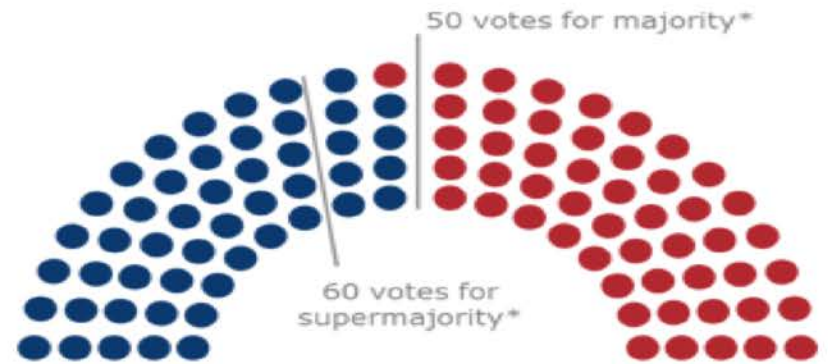
Current House and Senate divisions

House of Representatives



Total Republicans	235
Total Democrats	193
Vacancies	7

Senate



Total Republicans	51
Total Democrats/Independents	49

2018 – Senate Elections

- There are 35 seats up in 2018 in the U.S. Senate, of which 26 are held by Democrats, 5 of which are vulnerable. The Democratic party will need to hold onto all 26 currently held D-seats and gain 2 seats to take control.
- Two open GOP seats – AZ and TN, 1 – Tossup – Heller - NV

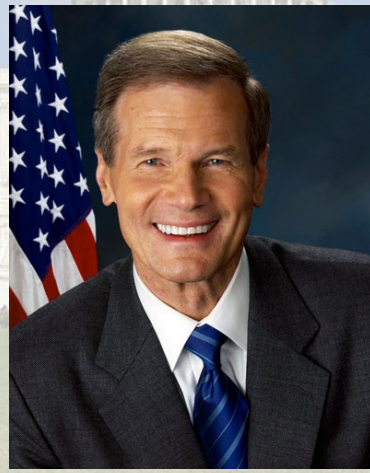
Heitkamp - ND



Manchin - WV



Nelson - FL



Donnelly - IN



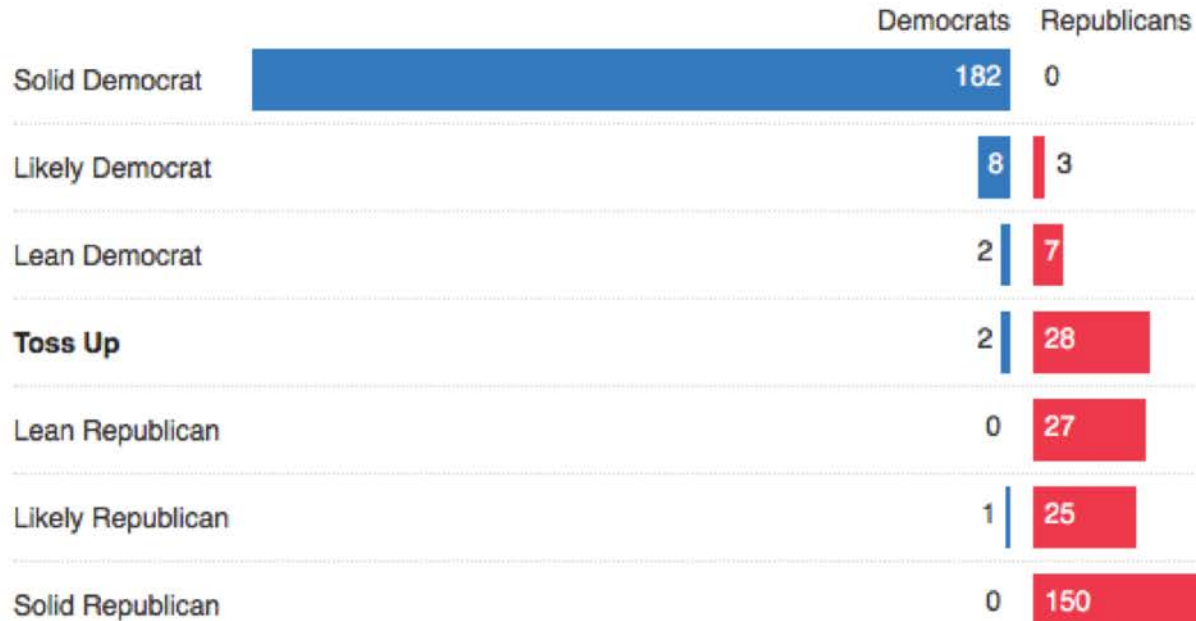
McCaskill - MO



2018 House Elections – Will the GOP Hold the House

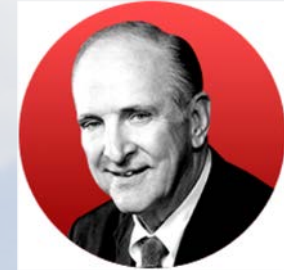
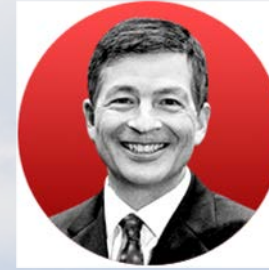
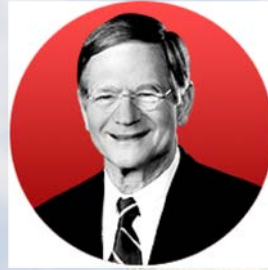
- “Republicans' only hope of defying a "Blue Wave" and saving their 23-seat House majority is to personally disqualify Democratic nominees on a race-by-race basis with quality opposition research.” – Cook Political Report.
- 42 open GOP seats in the House – Most since 1930
- Of the 66 races in the Cook Political Reports "Lean" and "Toss Up" columns, Republicans are defending 62 and Democrats just 4.

“The 66 competitive races below don't include three open GOP seats that are already "in the bag" for Democrats (NJ-02, PA-05, PA-06) and one Democratic open seat that's already sure to flip to Republicans (PA-14). Effectively, Democrats start out with a net gain of two off the bat and would need to win only 25 of these 66 races (38 percent) to capture the majority.” – Cook Political Report



2018 Election - Texas Members

- 2 – Senator Members
- 36 – House Members
 - 8 New House Members



Questions?

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