

Evaluating Crop Insurance Options for Cotton: The STAX vs. SCO Decision

Friday, February 22, 2019

By Shawn Wade

Plains Cotton Growers, Inc., has developed a new resource for cotton producers currently evaluating crop insurance options for 2019. With the addition of Seed Cotton as a Title One covered commodity starting in 2018 and continuing under the 2018 Farm Bill, cotton producers throughout the United States have a new dynamic to consider when determining how to structure their risk management portfolios beginning with the 2019 crop year.

A major part of this process, which involves evaluating the potential integration of multiple coverage enhancing options available through the federal crop insurance program, is the decision between the Stacked Income Protection Plan (STAX) or the Supplemental Coverage Option (SCO). PCG's new resource focuses on this decision.

For cotton producers with Seed Cotton base acres on their farms, the Title One/crop insurance integration decision involves determining how to build their insurance coverage around the Title One protection provided by either the Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC) programs administered through the USDA Farm Service Agency. It is important to note that the 2018 Farm Bill imposes several restrictions, some new and some carried over from the 2014 Farm Bill, on the purchase of STAX and SCO policy endorsements on farms planted to cotton.

Beginning with the 2019 crop year STAX coverage will only be available for purchase on farms that are NOT ENROLLED in either the PLC or ARC programs for SEED COTTON through USDA FSA.

That means STAX can only be purchased on farm(s) (*identified by FSA farm number*) that either have ZERO Seed Cotton base or on a farm(s) where the producer decides NOT TO ENROLL seed cotton base and participate in either PLC or ARC for that production year. Because STAX is a cotton only product the combination ARC/PLC STAX restriction only applies to farms with seed cotton base eligible to participate in those programs.

Unlike STAX, SCO is ONLY available on farms ENROLLED in the PLC program with an underlying insurance policy. Any producer enrolled in the Price Loss Coverage (PLC) program for an insured crop, including cotton, can purchase an SCO endorsement.

For new cotton producers or growers who have little or no farm program base for Seed Cotton, the STAX vs. SCO decision will strongly hinge on whether or not an additional layer of insurance protection is needed and which of the available insurance options best fit their risk management needs.

"We hope that this handout will help address questions our growers may have about STAX and SCO and which may be best for their operation as they evaluate their crop insurance options," PCG Executive Vice President Steve Verett said. "We encourage

growers to carefully consider the differences between the two programs and work with their crop insurance agent to make these important decisions."

The document can be found here: <http://bit.ly/STAXSCO19>

PCG Seeking Denim to Recycle

Friday, February 22, 2019

By Mary Jane Buerkle

Plains Cotton Growers has become a partner with The Cotton Board, Cotton Incorporated and PhytoGen cottonseed for their denim collection drive. The drive is part of Cotton Incorporated's Blue Jeans Go Green™ program, which keeps textile waste out of landfills and helps with building efforts in communities around the country.

Those who wish to donate used denim can come by PCG between 8 a.m. and 5 p.m., Monday through Friday, and drop their denim in the designated box.

Since its inception in 2006, the Blue Jeans Go Green™ program has collected more than 2 million pieces of denim and more than 3.9 million square feet of insulation has been upcycled from worn denim. More than 40 Habitat for Humanity affiliates have received denim insulation and more than 1,000 tons of textile waste have been diverted from landfills.

"The collaboration with PhytoGen illustrates the full circle of U.S. cotton sustainability," Stacey Gorman, Director of Communications for The Cotton Board, said in a news release. "New seed technologies and the commitment of U.S. cotton growers continue to make sustainable production gains, while the Blue Jeans Go Green™ denim recycling program addresses end-of-product-life sustainability."

The National FFA Foundation and local FFA chapters also are involved in the drive. Additional drop-off locations are coordinated through those FFA chapters, and also at the Texas Cotton Ginners' Association's annual trade show April 4-5. If you would like to donate through your local FFA chapter, contact them for more information. Learn more about the Blue Jeans Go Green™ program at www.bluejeansgogreen.org.

Farm Families Face Another Brutal Year

Tuesday, February 19, 2019

From Farm Policy Facts

As farmers across the country prepare for the 2019 planting season, the one question on everyone's minds seems to be: will the new Farm Bill provide an adequate safety net to see farm families through another brutal year?

Last week, the Wall Street Journal and Politico reported that farm bankruptcies rose to the highest level in at least 10 years. Asked about these troubling reports, House Agriculture Chairman Collin Peterson (D-MN) said, "I have been saying for a year people are nervous." Meanwhile, Senate Agriculture Chairman Pat Roberts (R-KS) noted the Farm Bill can help farmers "but we need price recovery."

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House Agriculture Committee Ranking Member Mike Conaway (R-TX) may have been the canary in the coalmine on this question, arguing throughout the Farm Bill process that the safety net provisions of the Farm Bill must be strengthened.

Farming is inherently risky, requiring a large amount of capital upfront with thin, and sometimes negative, profit margins. But farmers are perpetual optimists, always hoping and willing themselves to believe that the next year will be better.

Unfortunately, the United States Department of Agriculture just published a new long-range price forecast that suggests farmers will continue to face depressed commodity prices and rising costs of production.

2019 marks the 6th consecutive year farmers will plant into a down market. The agricultural economy is now in a deep and prolonged recession.

Net Farm Income stood at an anemic \$66.3 billion in 2018 compared to \$134.3 billion in 2013, meaning income has dropped more than 50% since 2013. Seven in 10 farms have an operating profit margin in the “red zone” – indicating a high risk of financial problems.

And the hopefulness of our nation’s farm families will continue to be tested, as NFI for the next 5 years is projected to average just \$77.3 billion, meaning the highest projected farm income will still be only 59% of pre-2014 levels.

While many in the farm and ranch community expected farm income to decline in 2014, no one expected the downturn to be this deep or prolonged and the toll this has taken on America’s farmers has been serious. Many farm families have already depleted their reserve savings and are watching their equity erode.

Farm Policy Facts recently spoke with family farmers in Minnesota to put faces on the dire situation unfolding. Brandon Fast grew up on the family farm watching his dad and grandfather work the land, and now farms 1,200 acres in south west Minnesota.

“A strong farming community ends up coming from being able to sell our product at a good value,” Brandon says. “That’s the only way we are going to be able to not only keep the farmers that we have now, but create an optimism for that older generation that says [to the next generation of farmers] you know what, ‘I think I can end up helping you out and I think you can end up making it.’”

Until that recovery happens, more and more farm families are taking extreme measures to make ends meet.

A recent USDA report on the face of America’s farming community noted that nearly 80% of farm household income comes from off-farm sources as farmers seek non-farm income to help pay the bills the farm economy cannot pay.

“We are all trying to diversify – operating a seeding business, raising livestock, or our spouses end up working off the farm,” Brandon says. “I have some friends whose wives end up working a \$12-an-hour job part-time just to get some type of health insurance, because they can’t foot the bill.”

In other words, times are bad in rural America right now, and farmers need a break. A swift implementation of the 2018 Farm Bill would be a great first step, as would an aggressive trade agenda that opens markets abroad for America’s farmers and ranchers.

But as was the case during the 1980s and the late 1990s, Washington may well need to bolster the safety net to head off what may otherwise become a full-on farm financial crisis that will truly threaten rural communities and undermine economic growth in the cities.

PCG Seed Cost Calculator is Now Available!

<http://www.plainscotton.org/>

Upcoming Area Ag Conferences and Auxin Trainings

February 26 – Sandyland Crops Conference, Gaines County Civic Building, 402 NW Fifth Street, **Seminole**. CEUs offered. More info: Terry Millican, CEA-AG/NR, (432) 758-4006.

February 26 – Swisher Pre-Plant Meeting, Swisher County Show Barn, **Tulia**. More info: John Villalba, CEA-AG/NR, (806) 995-3726.

February 26 – Auxin Training, 9:00 a.m., Attebury Grain, **Tulia**

February 26 – Auxin Training, 9:00 a.m., AgriLife Extension Office, **Morton**

February 26 – Auxin Training, 1:00 p.m., Ochiltree County Expo Center, **Perryton**

February 26 – Auxin Training, 1:00 p.m., CPS Meeting Room, **Dumas**

February 26 – Auxin Training, Dawson County AgriLife Extension Office, **Lamesa**

February 27 – Central Plains Cotton Conference, 8 a.m.-3 p.m., Community Center, 402 Second Street, **Olton**. More info: Kerry Siders, CEA-IPM, (806) 894-3150.

February 27 – Auxin Training, 10:00 a.m., Hansford County Extension Office, **Spearman**

February 27 – Auxin Training, 2:50 p.m., Central Plains Cotton Conference, **Olton**

February 28 – Auxin Training, 9 a.m., Hockley AgriLife Extension Office, **Levelland**

February 28 – Private Applicator Training, 8 a.m.-Noon, Potter County AgriLife Extension Office, 3301 E. 10th, **Amarillo**

February 28 – Auxin Training, Wilbur-Ellis, **Dalhart**

March 1 – Turkey Producer Ag Conference, 9 a.m.-Noon, Bob Wills Center, **Turkey**. \$10 at the door, 3 CEUs offered. More info: Texas A&M AgriLife Extension - Hall County, (806) 259-3015.

March 1 – Auxin Training, 10 a.m., Castro County AgriLife Extension Office, 205 N. Broadway, **Dimmitt**

March 1 – Auxin Training, 1:00 p.m., Bob Wills Center, **Turkey**

March 4 – Deaf Smith Cotton Conference, 10 a.m.-4 p.m., Deaf Smith County Extension Office, 903 14th St., **Hereford**. \$10 at the door, 3 CEUs offered. More info: Texas A&M AgriLife Extension - Deaf Smith County, (806) 364-3573.

To see a complete list of upcoming conferences and auxin trainings, visit <http://www.plainscotton.org/agconferences.html>.

Editor’s Note:

“Cotton News”, a weekly service of Plains Cotton Growers to the cotton industry and news media in the 41-county High Plains area, is mailed from Lubbock each Friday. Its contents are confined to news items and comments pertaining to the High Plains cotton industry which is so vital to U.S. all. Anyone interested in making comments about the contents of this column can call 806-792-4904 or Email PCG at: editor@plainscotton.org