National Affairs Committee
Adopted at the ACSA 92nd Annual Convention
May 27, 2016, - Ritz-Carlton Hotel, Dallas, TX

1. With the new Agriculture Act of 2014 that we be mindful of payment limits and AGI limits and monitor the impacts on the industry. Work with the USDA on regulatory developments of the new Farm Bill to insure it does not impair orderly marketing and flow of cotton. Continue to encourage USDA to implement the exemption of marketing loan gains from payment limitations.

2. Urge USDA to complete the process that would provide producers with the ability to track marketing loan gains on a real time basis.

The Agricultural Act of 2014

Preliminary Overview*

February 6, 2014

Cotton

Choice to purchase STAX or SCO on all acres planted to cotton

Special transition program for 2014 crop, and if STAX not available, transition program extends to 2015

- For 2014, equates to 5.40 cents/lb. on 2013 cotton base acres and payment yield
- If necessary to be made available, the 2015 rate would be significantly lower
- Separate $40,000 limit on transition benefits

Market Assistance Loan available on all production

- Annual loan rate set by formula using average world price for most recent 2 years
- Loan rate for base quality cannot be less than 45 cents/lb. or greater than 52 cents/lb.
- Current redemption rules and AWP calculation continue
- Storage payments available when AWP is below principal plus interest
- Legislation includes provision eliminating sequester on MALs beginning in 2014 Economic

  Adjustment Assistance Program continues at 3 cents/lb.

ELS cotton loan and competitiveness programs continue

- Pima Trust Fund reauthorized using CCC funds

STAX

If Area-Wide Actual Income falls below 90% of Area-Wide Reference Income, an indemnity is triggered Actual Income is insurance harvest price x actual county yield

Reference income is insurance projected price x expected county yield.

Indemnity is equal to lesser of amount that 90% of Reference Income exceeds Actual Income or 20% of Reference Income (90%-70% coverage is maximum coverage band)

Premium subsidy is 80%

Harvest Price Option and Protection Factor (between 80% and 120%) available as options
May purchase coverage in 5% increments

Available on all acres planted to cotton

Offered by irrigated and non-irrigated practice to greatest extent possible. Does not require purchase of underlying crop insurance coverage

Supplemental Coverage Option (SCO)

Available to upland cotton and other crops beginning with 2015 crop SCO may not be purchased on acres planted to cotton covered by STAX

Not available on covered commodities if ARC is selected for covered commodities

Underlying insurance coverage is required for SCO

Provides coverage for a portion of individual's deductible from underlying policy SCO indemnities triggered based on county-level experience

SCO will be yield or revenue product, depending on underlying coverage

SCO deductible is 14%, i.e. provides indemnities if county yield/revenue falls below 86% of expected yield/revenue

SCO premium subsidy is 65%

Covered Commodities

Market Assistance Loans available on all production at current loan rates Choice of Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC)

- ARC may be on area or individual farm basis

Choice is one-time, irrevocable on commodity-by-commodity basis for 2014-18 crops

- If no choice made for 2014, Secretary may not make payments for 2014 and 2015-18 crops are enrolled in PLC
- If individual ARC coverage is elected it applies to all crops under producer's control in state (whole farm)
- PLC and ARC payments are decoupled from production (except on generic base)

Agriculture Risk Coverage (ARC)

If Actual Crop Revenue is below ARC Guarantee a payment is triggered

Actual Crop Revenue is actual avg. county yield/planted acre *x* higher of 12 mo. national avg. price or loan rate Benchmark Revenue is 5 yr. Olympic avg. county yield *x* 5 yr. Olympic avg. price received

- Yield plug = 70 % in any year yield is below 70% of Olympic county average
- Price plug = loan rate in any year price is below loan rate ARC Guarantee is 86% of Benchmark Revenue

Payment rate is lesser of amount ARC guarantee exceeds Actual Crop Revenue or 10% of Benchmark Revenue

{86%-76% coverage) For PLC and ARC (area)

Payment Acres

- 85% of sum of base acres for each covered commodity and any generic base planted to the covered commodity {30% for prevented panted acres)
- 65% of sum of base acres and generic acres planted to commodity if individual farm ARC elected
- When generic acres are planted to one or more covered commodities special rules for calculating total payment acres for each covered commodity are specified
- Payment acres may not exceed total base acres on the farm

Base Acres

Choice to retain 2013 base acres or reallocate base

- Generic base (formerly cotton base) is automatically retained, regardless of the decision whether or not to reallocate bases of covered commodities
- Reallocation applies to base acres of 2014 covered commodities (i.e. excludes cotton) and is calculated by using average acres planted to covered commodities in crop years 2009-12 (including years the crop was not planted)
- Reallocation of base acres may not result in total number of base acres (including generic base) for the farm exceeding the number of base acres in effect on the farm on Sep 30, 2013.

Payment Yields

Producers may elect to update yields for purposes of PLC on a commodity-by-commodity basis beginning with 2014 crop

Update calculated as 90% of Olympic average per planted acre for 2008-12 crop years-excluding years when acreage planted to the crop was zero

- If yield in any year is less than 75% of Olympic average, plug-in 75% of Olympic average

Payment Limits, Income Tests, and Actively-Engaged- in-Farming

Payment Limit per entity is $125,000 for total of PLC, ARC, MLGs, and LDPs

- Separate limit for peanuts is extended

Adjusted Gross Income test: if 3 year average exceeds $900,000 ineligible for commodity and conservation benefits; does not apply to eligibility for crop insurance premium subsidies

Actively-Engaged-in-Farming provision authorizes Secretary to define what constitutes a significant contribution of management and provides discretionary authority to establish a limit on the number of individuals who may be considered actively engaged when a significant contribution of management is used to meet the actively engaged requirements; any changes to actively engaged rules will not be effective until 2015 crop. New management rules will not apply to individuals in operations composed solely of family members.

Crop Insurance

Enterprise Units

- Makes premium subsidy permanent and allows for separate irrigated and non- irrigated crops in 2015

Adjustment in APH to determine insurable yields

- A producer may choose to exclude any year from their APH if the yield in the county in that year is less than 50% of the ten year county average. This also applies to contiguous counties and allows for the separation of irrigated and non- irrigated acres.

Allows for coverage levels by practice beginning in 2015 Requires conservation compliance to

receive premium subsidy.

Conservation

CRP reduced to 24 million acres by 2018

CSP maximum annual enrollment reduced to 10 mil acres through 2022

- Must meet two Priority Resource Concerns and must meet or exceed an additional one by end of the contract

EQIP

- At least 5% for wildlife habitat and 60% for livestock
- Payment limit $450,000 total for all contracts from 2014 to 2018
- Funds increase from $1.35 billion in FY 14 to $1.75

billion in FY18 Agricultural Conservation Easement Program

- Combines WRP, GRP and FRPP into one program

Trade

The new farm bill includes legislative language intended by Congress to resolve the Brazil dispute as it relates to GSM

- GSM is reauthorized through 2018 with annual limit of $5.S billion

Includes authority to allow the Secretary to implement the GSM program in a manner consistent with WTO obligations:

- Reduces the maximum tenor for loan guarantees to 24 months;
- Strikes a provision in previous law requiring that the Secretary maximize the amount of credit guarantees made available each fiscal year; and
- Strikes a provision that restricted the Secretary's ability to adjust program fees.
- In the Manager's Statement, House and Senate farm bill conference leaders specifically acknowledge that there are unresolved issues in the Brazil case and that it is their strong intent that the discretion provided to the Secretary be used to reach a negotiated solution

to the dispute.

Re-authorizes Market Access Program {MAP) and Foreign Market Development (FMD) Program through 2018.

3. RECONCENTRATION OF LOAN COTTON:

To enhance the competitiveness of U.S. cotton we urge the CCC to immediately repeal the 75-day limit on storage credits when CCC loan collateral is moved to any approved CCC warehouse.

4. SPOT MARKET DATA:

We recommend discussions with AMS the availability of spot market data for micronaire premiums/discounts for longer staple lengths with the goal of reviewing the need for a split between staples 33 and 34 or staples 34 and 35.

5. USDA MARKET FUNDING:

We recommend that USDA make full use of the funding authorized by Congress to assist in maintaining and expanding the consumption of U.S. cotton.

6. AWP TRANSPORTATION COSTS:

Urge USDA to announce when they will release any proposed changes in the adjustments to the AWP formula. Urge USDA to release the proposed change at least one month before the effective date of change.

7. ELECTRONIC PROCESSING & REDEMPTION OF LOAN COTTON:

With the implementation of the EWR system and its adoption by the CCC for loan cotton, we recommend that FSA make full use of the private sector to expedite the establishment of an electronic processing and redemption system for Form A and Form G cotton.

We urge the USDA and other Federal Agencies to utilize electronic filing, processing, and response for the many documents, which are currently done manually. These documents include:

- Phytosanitary Certificate to USDA-APHIS
- ELS Competitiveness filings to the USDA-CCC
- Export Sales Report
- Export Declaration and other documents to the U.S. Customs Department
- GSM Loan documents

8. STANDARDIZED REDEMPTION PROCEDURES:

Request that the FSA thoroughly train all employees to adhere to the standardized loan redemption procedures.

9. **BENEFICIAL INTEREST:**

We recommend that members review all "Option to Purchase" contract language for conformance with FSA/USDA Regulations pertaining to "Beneficial Interest" in the cotton to assure that the cotton maintains its eligibility for the loan or for loan deficiency payments (LDP).

10. **SALE OF CCC OWNED COTTON:**

We recommend that CCC-owned Upland and ELS cotton be catalogued as soon as forfeited and auctioned without reserve every week with a re-class and reweigh at the option of the buyer. For Upland cotton, the minimum acceptable bid should be the lesser of the current market value or the AWP. Further, the Seam be required to list all warehouse charges due on cotton listed for sale in the CCC catalog, and that USDA make available all HVI bale information to potential bidders in addition to gin code, gin number, warehouse bale number, gross and net weights and type of bagging. Further, we recommend that the SEAM release all 1 current price information.

11. **EXPORT CONTROLS OR EMBARGOES:**

We oppose export controls or embargoes because they restrict free competitive access to world markets and diminish our reputation as reliable suppliers. Controls, licensing, or embargoes could discourage production and jeopardize the market-oriented policy of U.S. cotton.

12. **FARM BARGAINING:**

Legislation designed to regulate the prices of agricultural sales transactions or to permit collective bargaining between producer and processor for the purpose of establishing prices or the expansion of marketing orders would have adverse effects on the orderly marketing and processing of cotton. Any legislation of this kind must exclude cotton. Cotton producers enjoy the security and freedom of choice to market their cotton through the CCC loan, cooperatives, cotton gins, FOB merchants, shippers and mill buyers. The dynamic U.S. cotton marketing system provides producers with competitive bidding for their product, and the pricing mechanism advocated in farm bargaining legislation is not suitable to the cotton industry.

13. **CCC WEEKLY LOAN FIGURES:**

a. We urge the Department to make a concerted effort to consolidate and keep these weekly figures current and accurate since trading decisions are based upon this timely information.

b. We encourage CCC to report LSA and CMA cotton entered under Form G separately.

14. **RAW COTTON IMPORTS:**

Recommend that US textile mills have access to adequate supplies of raw cotton imports as required by US production, price levels, or trade agreements.

15. **RAW COTTON EXPORTS:**

We urge the USDA and the USTR to oppose all efforts by foreign governments that would restrict or limit the access of U.S. raw cotton exports.

16. IMPLEMENTATION & ENFORCEMENT OF TEXTILE TRADE AGREEMENTS:

That improved and appropriate safeguards be implemented to fully protect the US textile industry from damaging import surges and that the products of the US textile industry be guaranteed full and timely access to all markets.

Urge that US Textile Industry is protected from unfair competition by textile mills that are in default on previous contracts by penalizing and restricting textile imports from any mill on an established International Default List.

Also require importers to report the source of their raw materials for purposes of enforcing this regulation. Study adding names of Principal to an advisory list when a mill is listed on a Default List.

Urge International Default List, list all mills in any country that restricts the listing of individual mills for any reason.

17. "MADE IN USA" LABEL:

We urge the Congress to require that the duty free and quota free privileges accorded the U.S. possessions and territories having "Commonwealth" status preclude the use of the "Made in USA" label if the textile products are not manufactured out of U.S. fabric made from U.S. yarn and sewn with U.S. thread. Further, we urge the strong enforcement of the Berry Amendment requiring that all military uniforms, apparel, and equipment be made in the USA.

18. HARBOR MAINTENANCE:

We oppose the imposition of harbor maintenance fees and urge the Congress to fund the dredging and maintenance of U.S. rivers and harbors from the general funds of the U.S. Treasury. Currently the harbor maintenance fees are collected on imports and funds held by the federal government.

19. RESTRICTIONS ON TRANSFER OF WAREHOUSE RECEIPTS - LICENSING OR BONDING OF COTTON MERCHANTS:

We strongly oppose state or federal legislation that impedes the marketability of cotton or which requires the bonding and/or licensing of cotton merchants as the cost of administering such requirements would be charged to the cost of handling cotton and result in reduced producer income.

20. CROP INSURANCE:

Urge the Congress and USDA to make full use of the private sector to develop a system of yield and revenue insurance that is not a production incentive and which will require strict adherence to normal planting, cultivation, and harvesting practices.

21. DOMESTIC MILL CONSUMPTION & WAREHOUSE STOCK REPORTS

Thank the USDA for releasing a monthly estimate of US Domestic Mill Consumption, but urge the release of warehouse stock reports.

22. COTCO:

The Committee Organized for the Trading of Cotton is the political action committee of the American Cotton Shippers Association. COTCO provides member firms and their employees a direct voice in the elective process, thereby meriting your full support and participation. We urge that our members and their employees support this important endeavor that is vital to the survival of a competitive cotton market. Your personal contribution should be mailed to:

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