National Affairs Committee
Adopted at the ACSA 94th Annual Convention
May 11, 2018 – Four Seasons Hotel, Austin, TX

1. DRAFT FARM BILL:

Agriculture and Nutrition Act of 2018 (H.R. 2)
House Agriculture Committee
Draft Farm Bill
Summary of Select Provisions

Title I – Commodities

Agriculture Risk Coverage/Price Loss Coverage (ARC/PLC)

- 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
- Eliminates the ARC-Individual coverage option
- 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.

Marketing Loan Program

- 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
- Extra Long Staple (ELS) cotton loan rate increased to $0.95/lb and the ELS Competitiveness Program is adjusted to align the current 134% of loan rate trigger to the new loan rate level by reducing the trigger to 113% of the higher loan rate

Payment Limits and Program Eligibility

- Continues current $125,000 per person payment limit for ARC/PLC payments; no longer applies to marketing loan benefits; 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)

Textile Provisions

- Economic Adjustment Assistance Program (EAAP) continued with payment rate increased from $0.03/lb to $0.0315/lb
- Pima Trust Fund continued with updated eligibility criteria to allow participation based on previous year and current year use of Pima cotton. Funded at $8 million per year instead of the current $16 million per year (program has no budget baseline)

Title II – Conservation

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

Environmental Quality Incentives Program (EQIP)

- Increases funding to more than $3 billion by 2023
- Merges the traditional EQIP program with CSP
- Retains most, if not all, current enhancements in CSP along with the benefits of bundling complimentary practices including a new water conservation or irrigation efficiency practice
- Allows producers to address one specific resource concern
- Provides producers the flexibility to prioritize work on a part of their operation, cutting down on complications with different landowners or different landscapes
- Targets program delivery to locally-identified resource concerns
- Removes the 60% livestock carve out but retains that no less than 5% must go to wildlife practices
- Allows irrigation districts, irrigation associations, and acequias to be eligible for EQIP
- Authorizes precision conservation management planning as a cost-share practice under Conservation Activity Plans developed by third-party technical service providers
- Continues $450,000 payment limit for all contracts during 5 year term of farm bill

Conservation Stewardship Program (CSP)

- Eliminates CSP while consolidating major aspects of the program into EQIP
- Current contracts are honored, but no reenrollments will occur

Regional Conservation Partnership Program (RCPP)

- Funded at $250 million per year in mandatory funds instead of using donor programs
- Simplifies the application process

Agriculture Conservation Easement Program (ACEP)

- Funded at $500 million per year
- Removes Adjusted Gross Income test for program eligibility

Title III – Trade

- 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)

Title VII – Research and Extension

- USDA's Office of Pest Management Policy will continue funding of $3 million annually
- Foundation for Food and Agriculture Research not reauthorized

Title IX – Horticulture

Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)

- Clarifies the role of State Lead Agencies that are charged with implementing EPA regulations and gives them an opportunity to consult with EPA when they propose new regulations
- Reconciles FIFRA and Endangered Species Act (ESA) to give EPA expressed authority to ensure the protection of endangered species in connection with pesticide use. Fish and Wildlife Service and National Marine Fisheries Services (The Services) would no longer have main authority.
- Includes the Pesticide Registration Enhancement Act (PRIA-4) – reauthorize program for pesticide manufacturers/registrants to pay registration fees for pesticide registration review applications to help fund EPA's pesticide reviews and registrations in a timely manner

Clean Water Act (CWA)

- Eliminates the requirement of a National Pollutant Discharge Elimination System (NPDES) permit under the Clean Water Act for pesticides that are already approved under FIFRA

Title X – Crop Insurance

Stacked Income Protection Plan (STAX)

- Continues STAX for cotton, but only available on farms with no seed cotton base acres or on farms with seed cotton base acres that are not enrolled in ARC/PLC for that crop year

Supplemental Coverage Option (SCO)

- Continues SCO, but includes a limitation that SCO, margin basis policies, and area yield and loss policies cannot be purchased on acres enrolled in ARC, or with STAX coverage

Catastrophic Coverage (CAT)

- Increases CAT administrative fee from $300 to $500 annually per crop

Actual Production History (APH)

- Codifies current regulations that limit the single-year drop in APH to 10%

Maintenance of Policies

- Addresses concerns with reimbursements for policies developed under the 508(h) process as well as continues Board authority to approve maintenance fees. Clarifies under what situation the Board can disapprove such fees.

Research and Development Priorities

- Requires research and development on losses due to tropical storms and hurricanes, subsurface irrigation and alternative methods for adjusting quality losses. Also changes the definition of beginning farmer and rancher from 5 years to 10 years for Whole Farm Revenue policies.

2. IMPROVING COTTON FLOW:

ACSA strongly urges the NCC to continue efforts to inform and provide further information and data in making the case to Congress of the importance to the cotton industry of the Shipping Performance recommendations and that the provisions be included in the Agriculture and Nutrition Act of 2018 (HR 2). These recommendations continue to be farm policy priorities of the NCC as well as ACSA and we look forward to working with NCC senior staff in accomplishing these priorities. (See attachment 1 for Analysis of Farm Bill Provision for Improving Cotton Flow)

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:**

Commend USDA for updating their contact list to ensure an appropriate sample of the trade is included in any freight adjustments. Urge USDA to announce not only the date of any changes but what the change will be.

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 oppose all efforts 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. TRANSFER OF LOAN COTTON FOR CERTIFICATION

Recommend the CCC not consider the certification of loan cotton to be a loan transfer.

23. 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:

COTCO
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Respectfully submitted:
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