

## USDA Update

ACSA Winter Board Meeting  
New Orleans, LA  
January 19, 2017

**Darryl Earnest**  
**Deputy Administrator**  
**USDA, AMS, Cotton & Tobacco Program**  
**Memphis, Tennessee**

### Topics to Cover

- Quality of 2016-17 Crop
- Futures Update
- Foreign Growth (World Cotton Contract)
- Fees
- Innovations Update

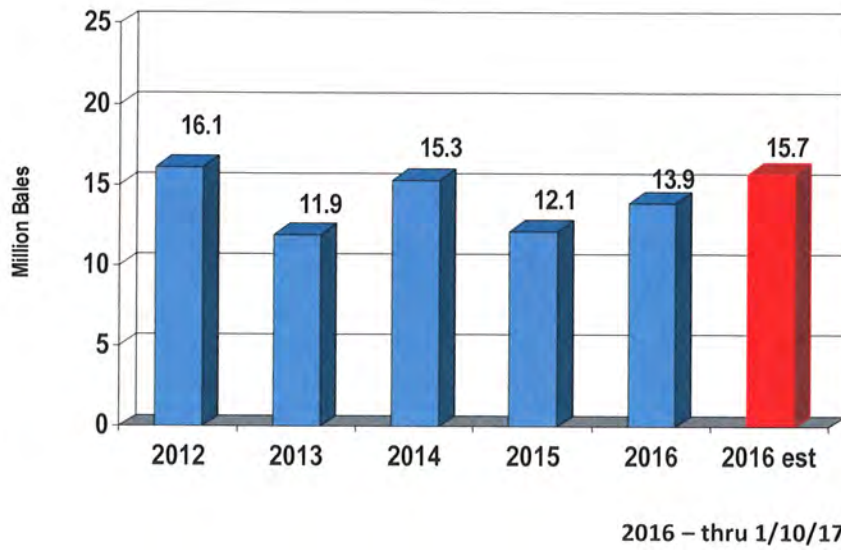
**Before we Start....**

**THANK YOU FOR YOUR  
BUSINESS AND CONTINUED  
CONFIDENCE AND TRUST IN  
OUR CLASSING SYSTEM!!!**

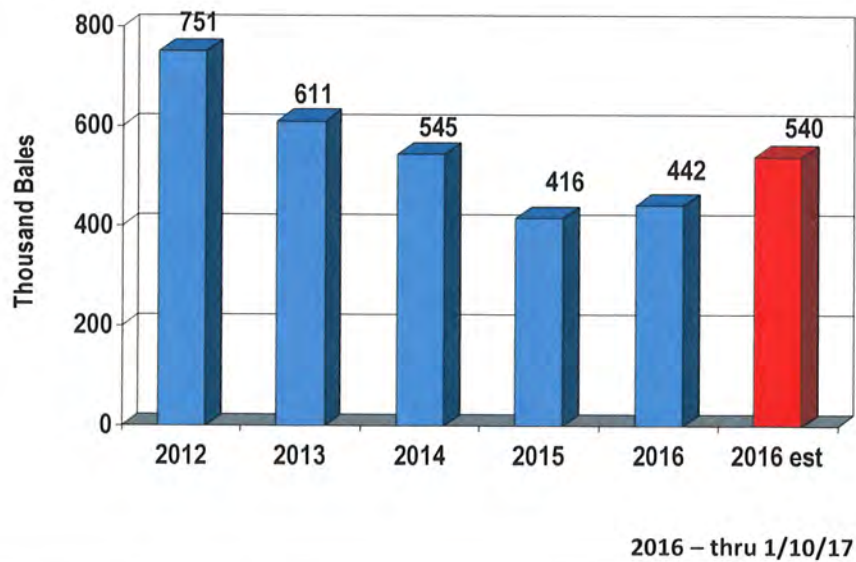
**Quality of the 2016-17 Crop**

**2016-17 is one of the highest quality crops  
we have seen in recent history**

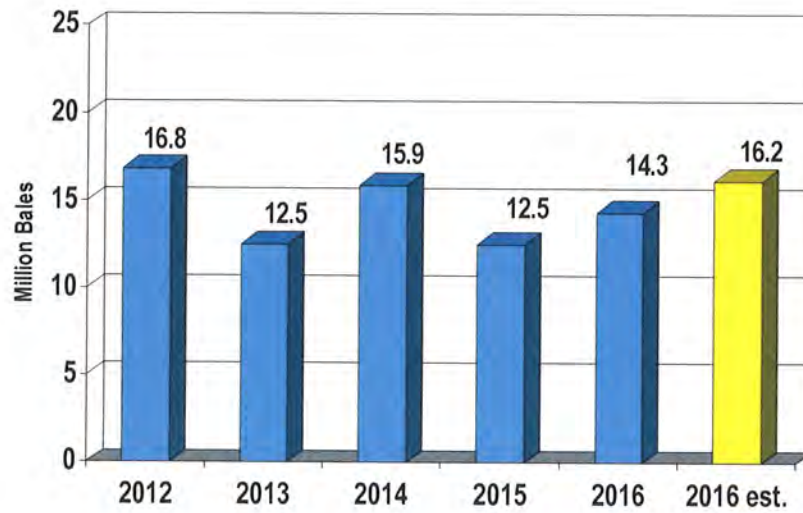
### Upland Classing 2012 - 2016



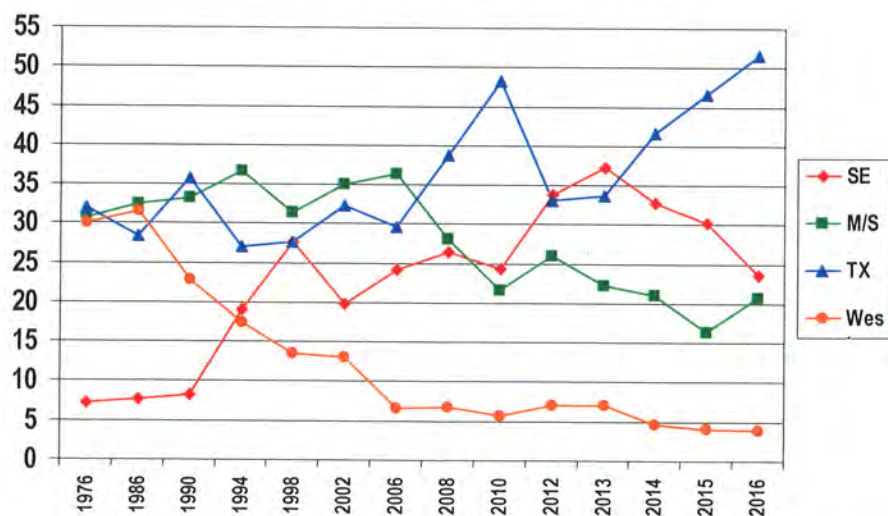
### Pima Classing 2012 - 2016



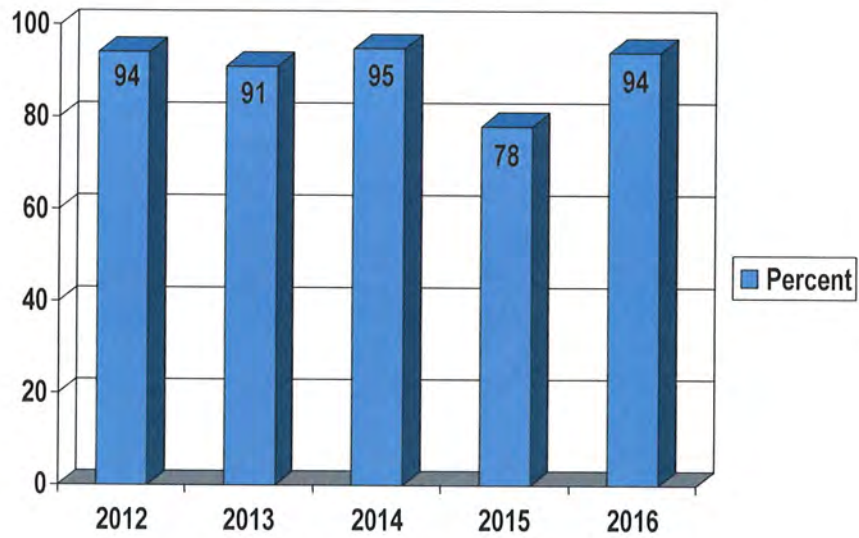
## Total Classing 2012 - 2016



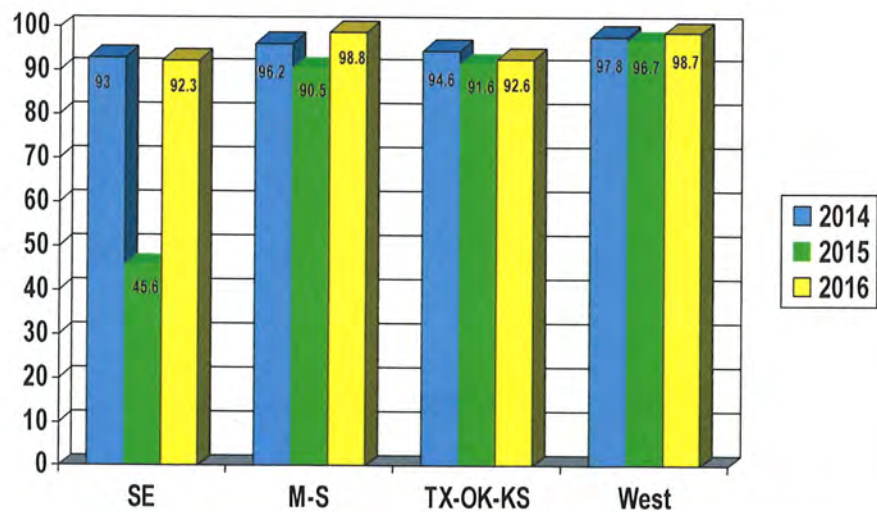
## Regional Upland Production Trends by Percentage of U.S. Crop



### United States – Color Grade 41/32 & Higher

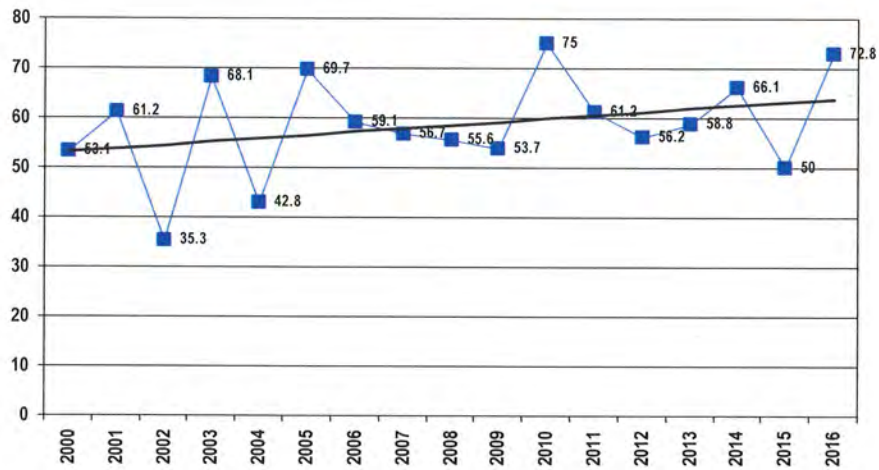


### Color Grade 41/32 & Higher by Region 2014 - 2016 Crop

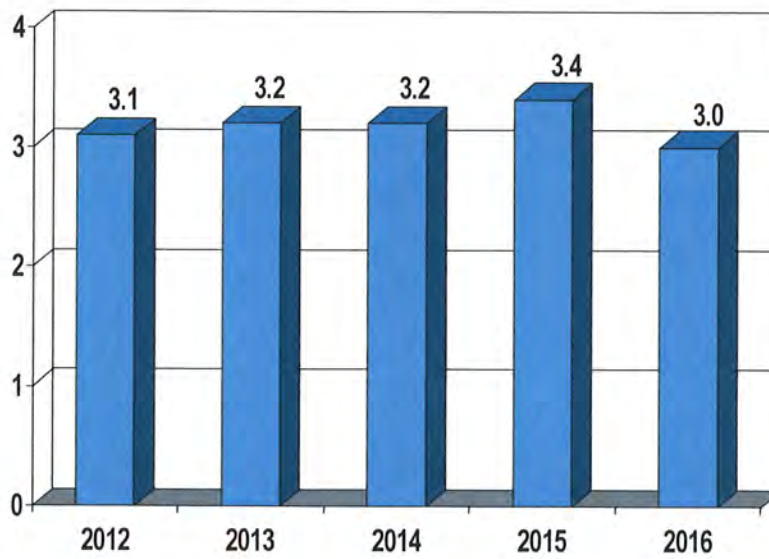




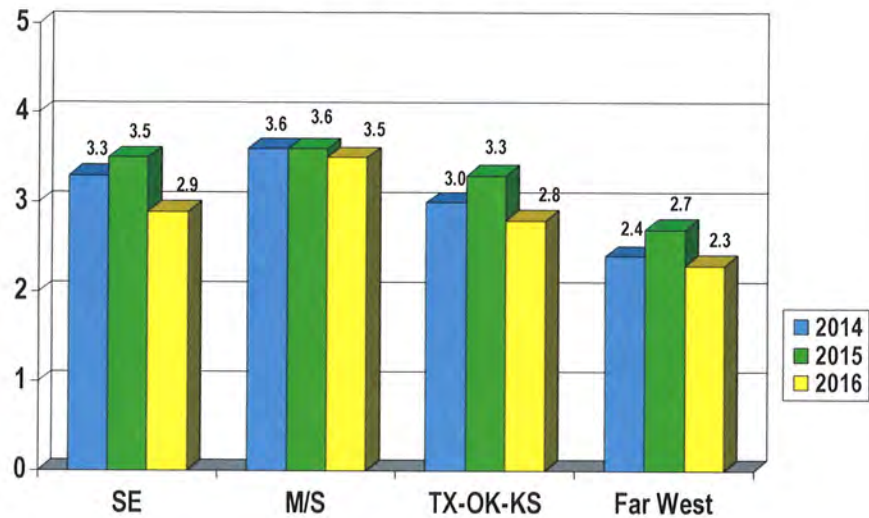
Percentage of 31 Color Quality +  
2000 – 2016 US Crops



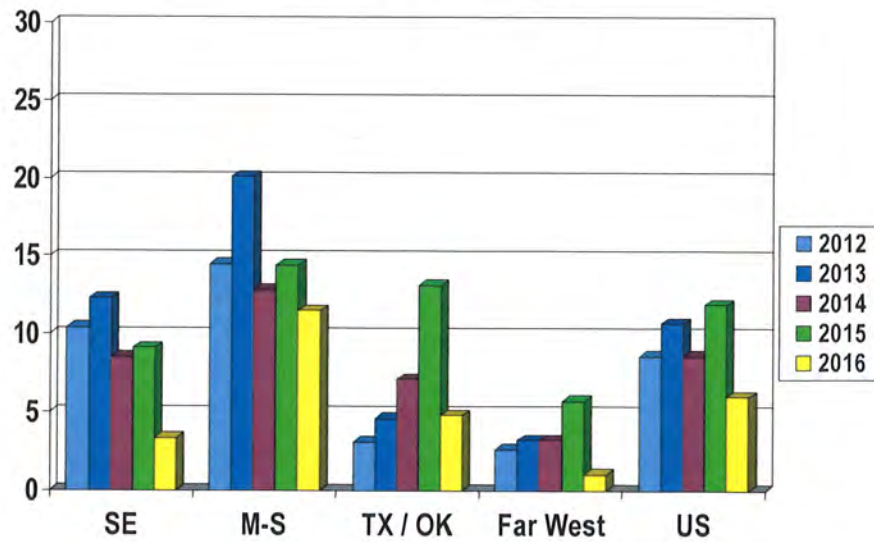
United States – Average Leaf Grade



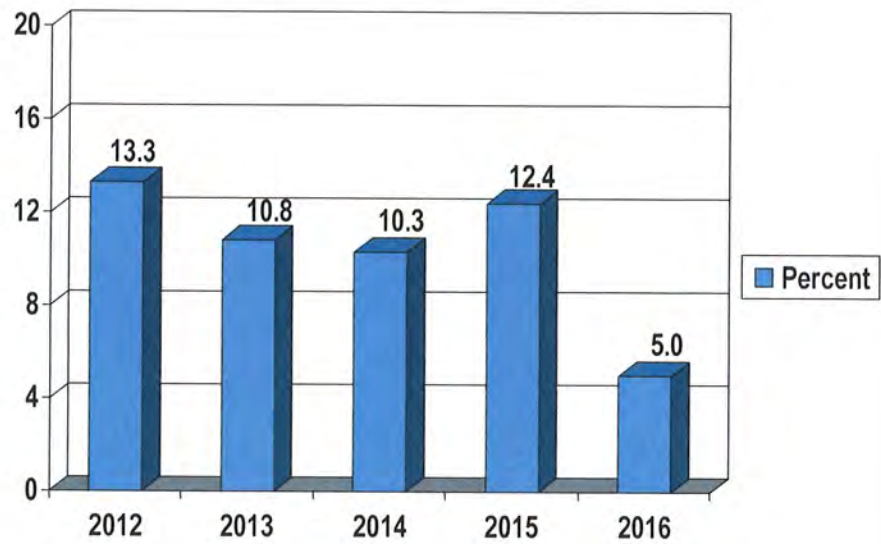
**Average Leaf Grade by Region  
2014/2016 Crops**



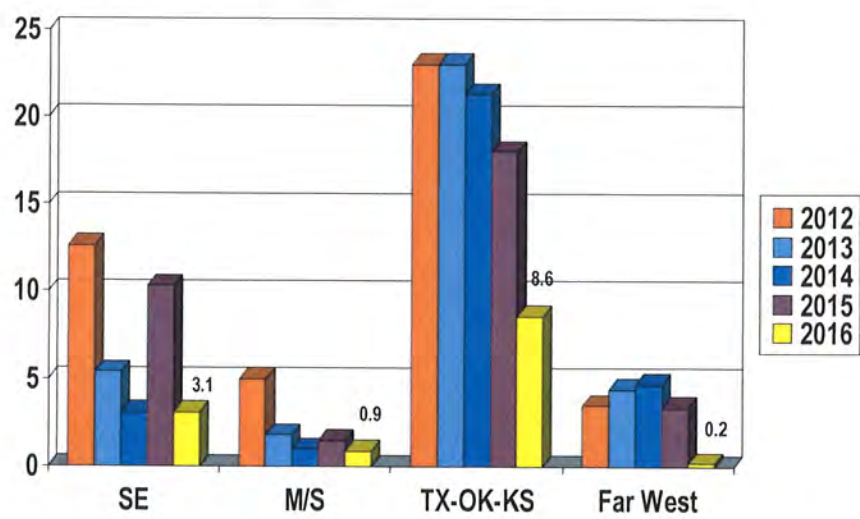
**Leaf Grade 5 and lower by Region  
2012 - 2016 Crops**



## United States – Extraneous Matter

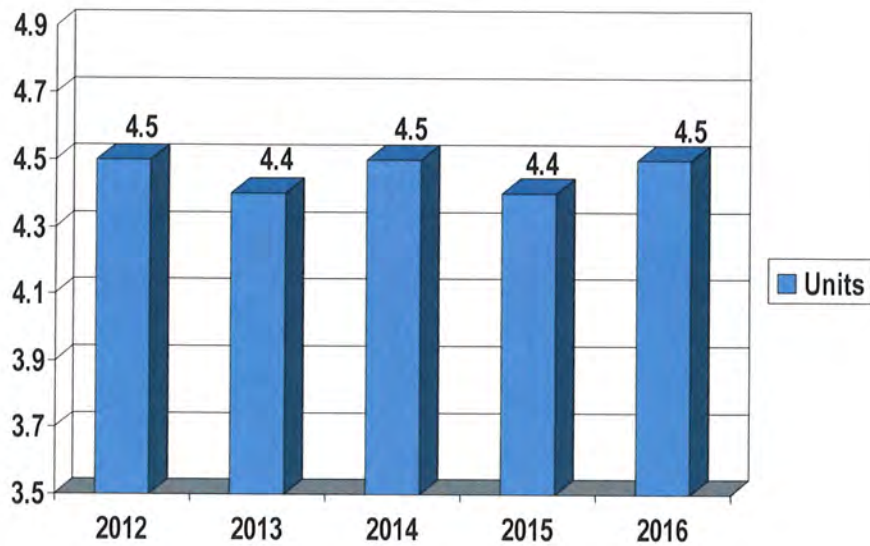


## Extraneous Matter by Region 2012/2016 Crops

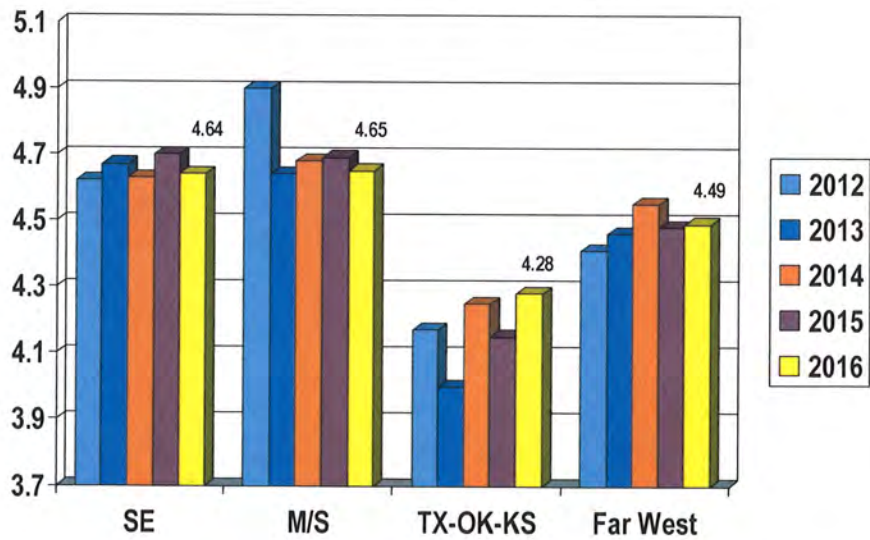




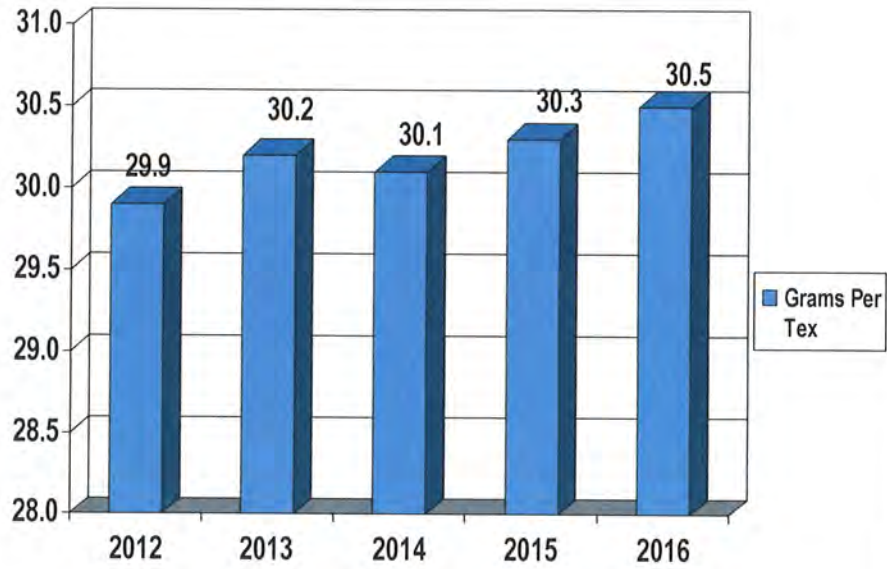
### United States – Average Micronaire



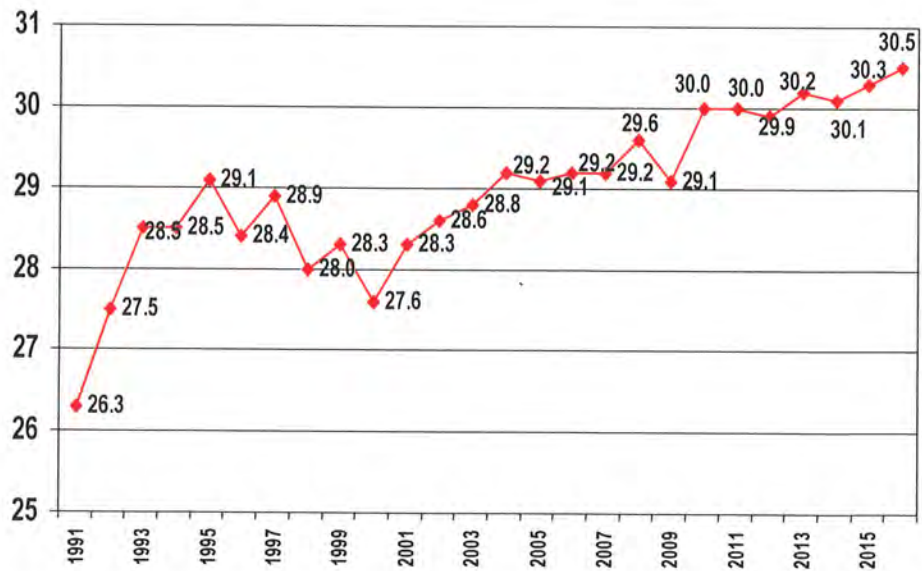
### Average Micronaire by Region 2012 thru 2016 Crops



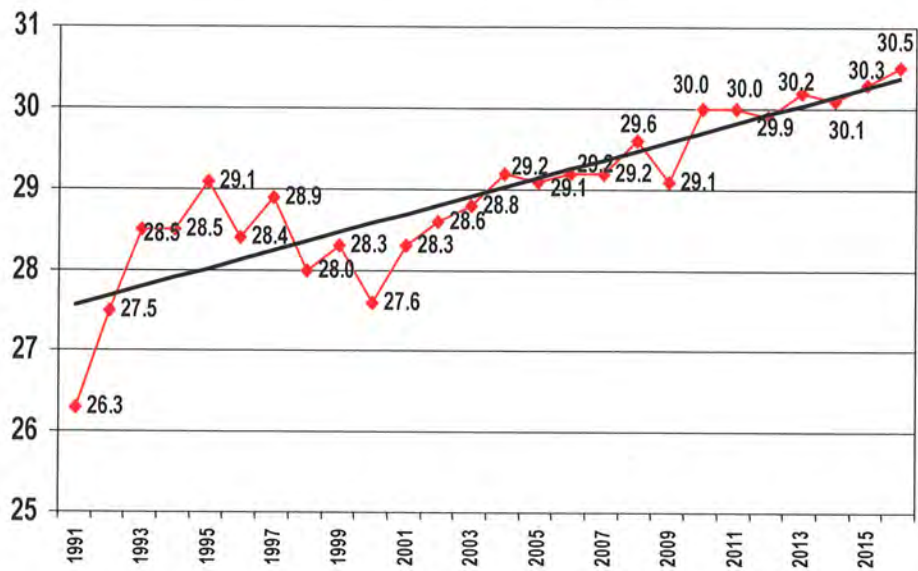
### United States – Average Strength



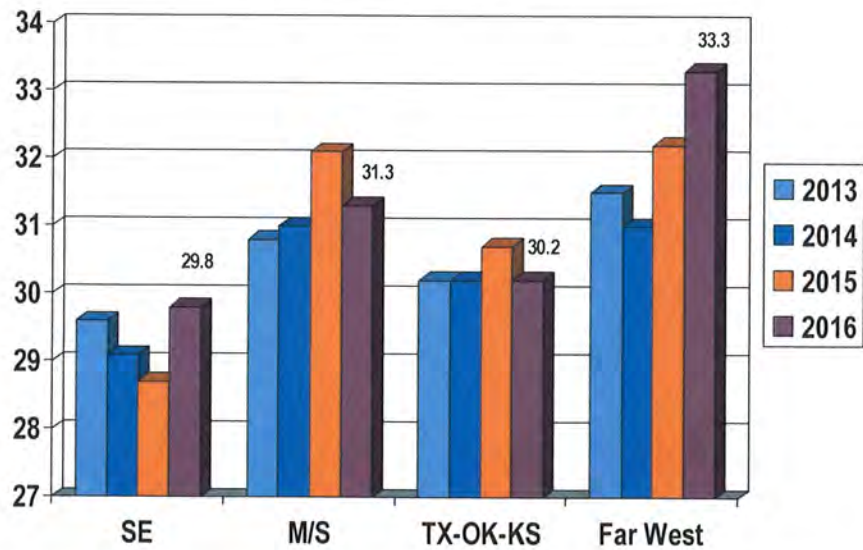
### Average Strength 1991 - 2016



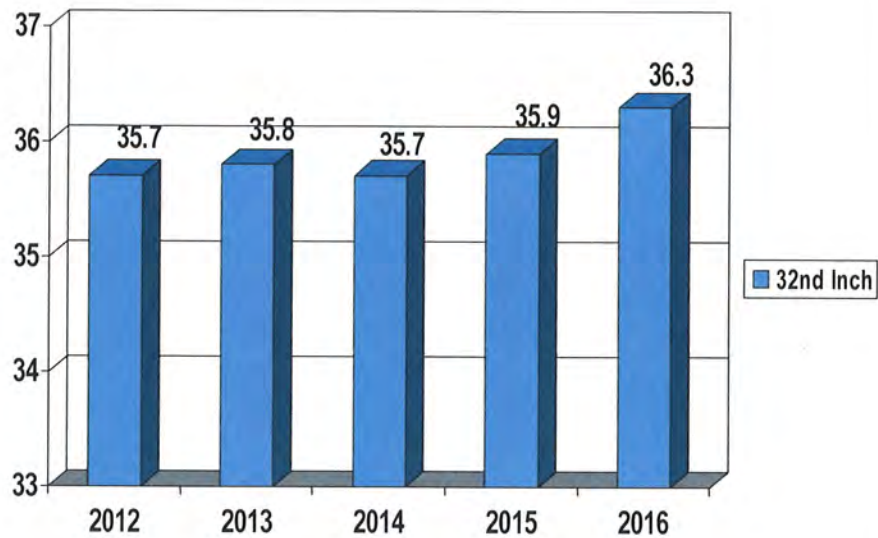
### Average Strength 1991 - 2016



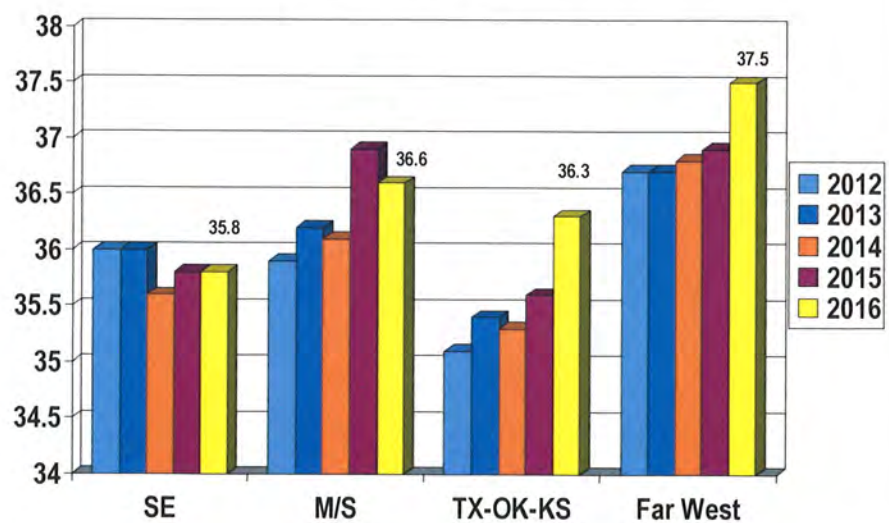
### Average Strength by Region 2012 - 2016 Crops

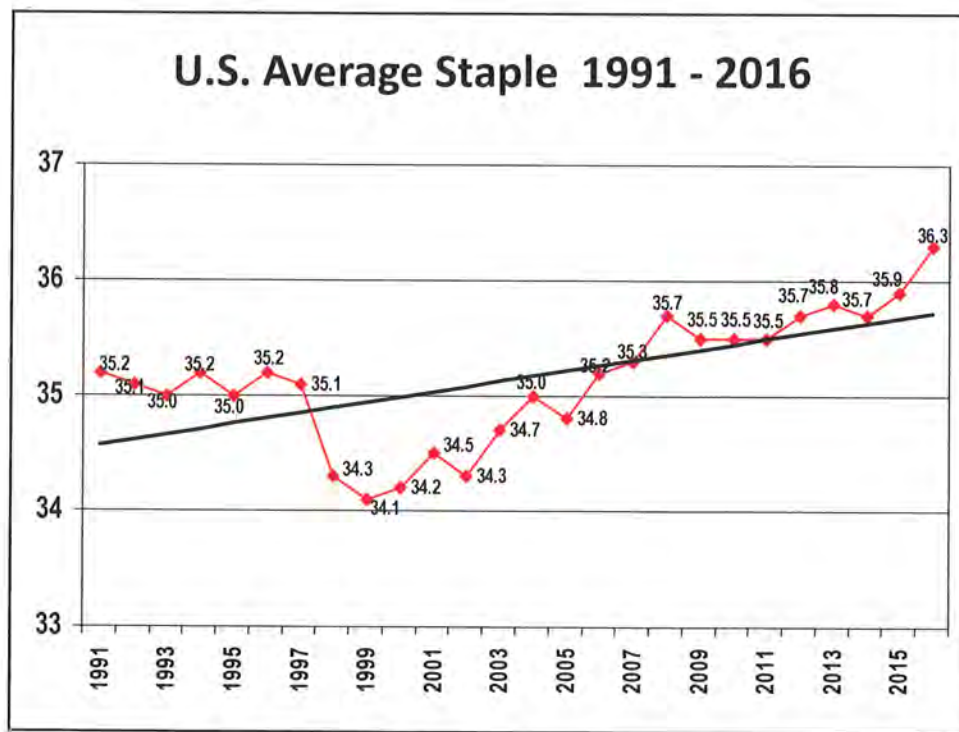
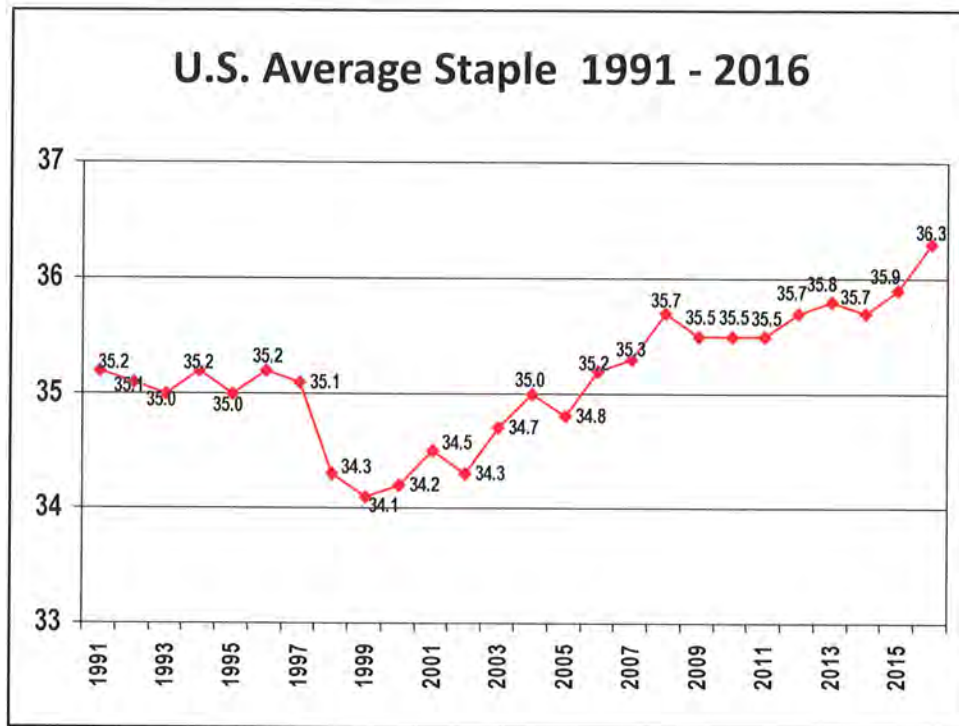


### Average Staple – United States



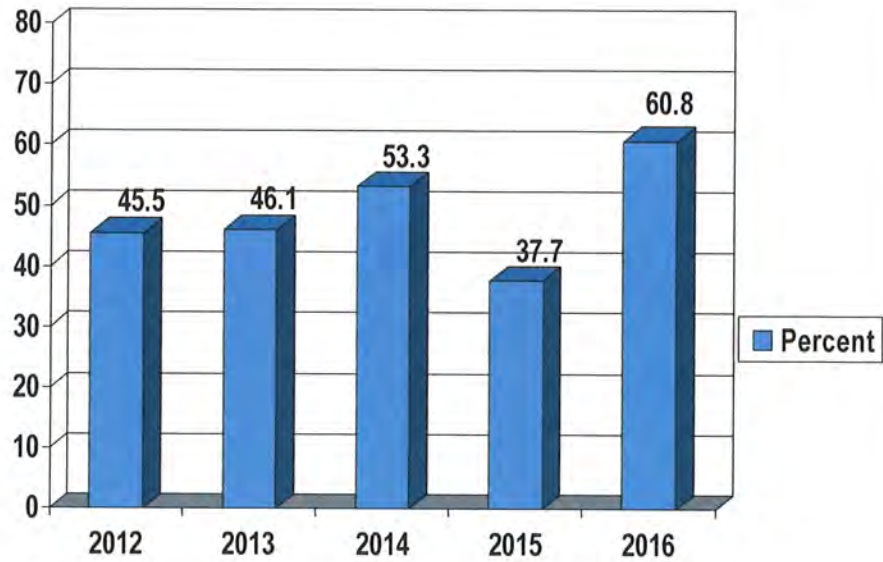
### Average Staple by Region 2012 - 2016 Crops



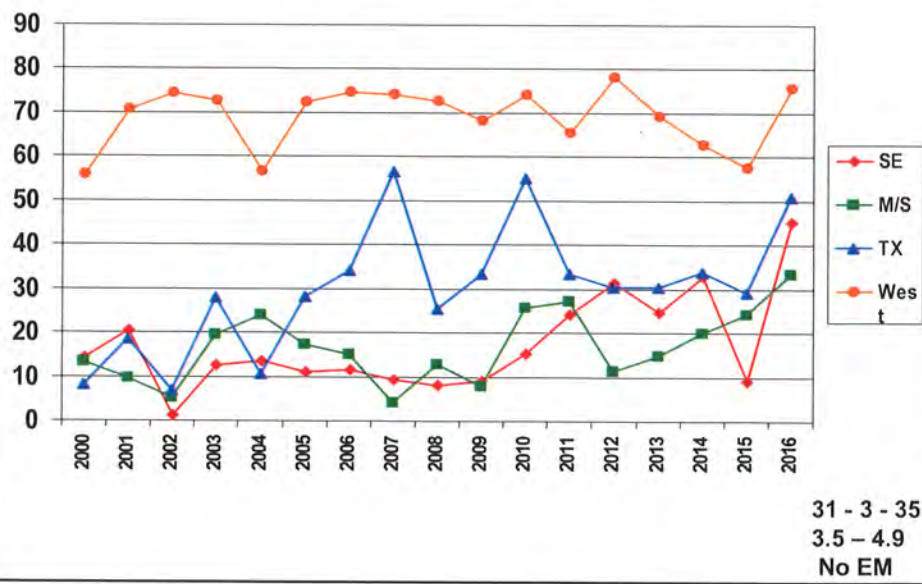




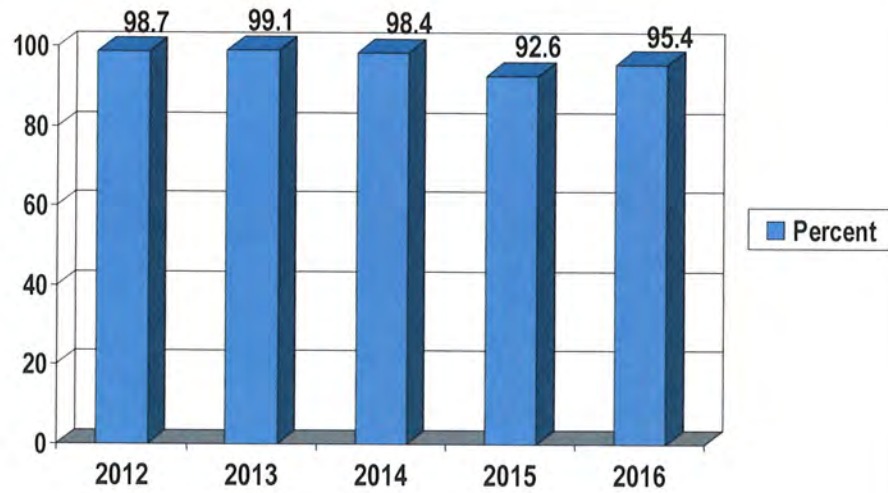
## Base Quality and Higher – United States



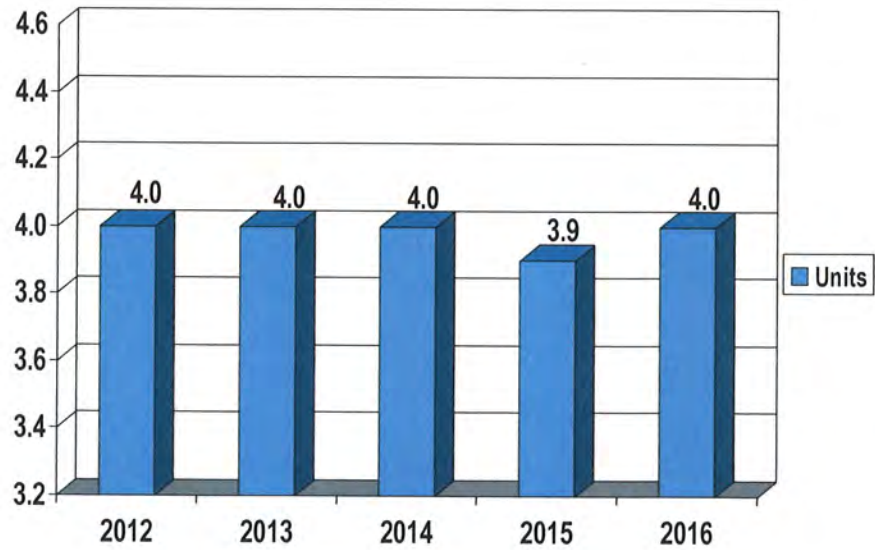
## Percentage of High Quality by Region 2000 – 2016 Crops



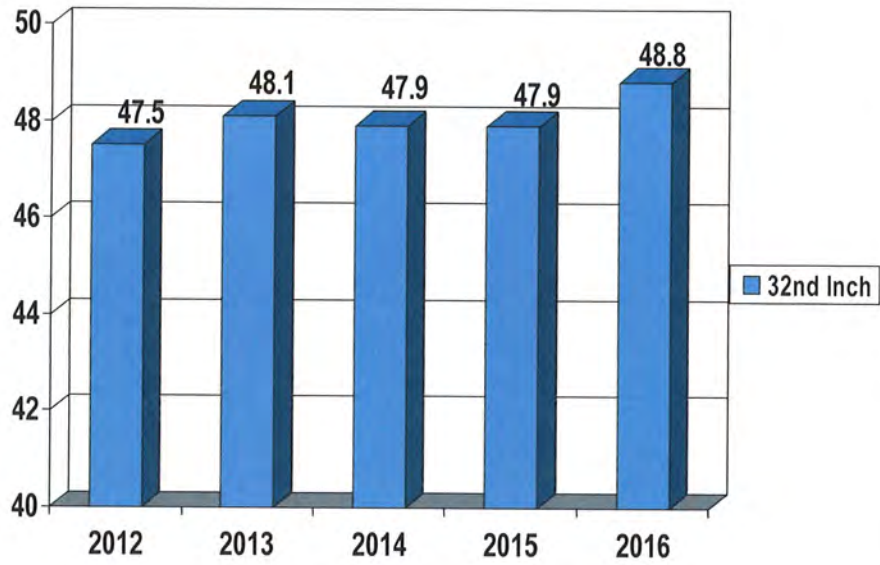
### American Pima Grade 3 and Higher United States



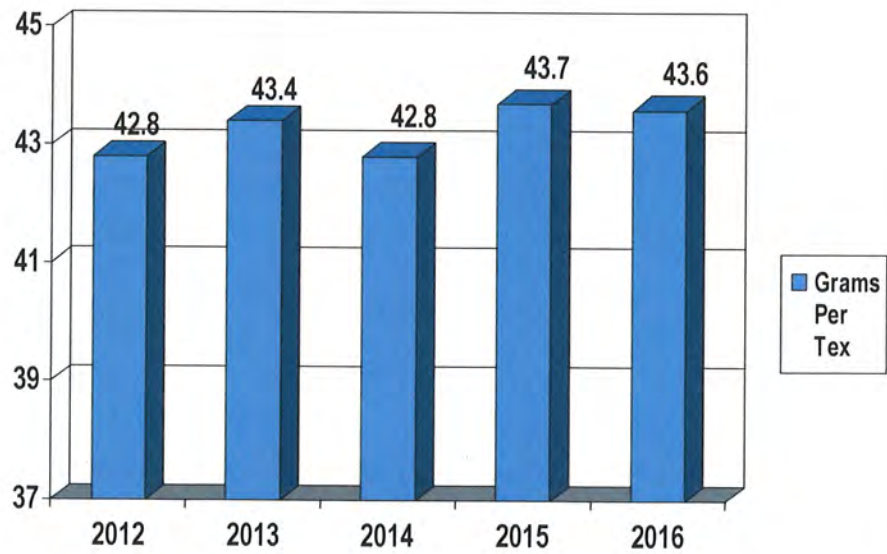
### American Pima Average Micronaire



**American Pima Average Staple**



**American Pima Average Strength**



## **2016-17 Extraneous Matter**

- Lowest in several years (5%)
- Typical distribution except for “61” Other
  - Mostly in Southeast Region (Macon)
  - Most appears to be insect damage (nearby produce farming operations)
  - Not stickiness
  - Appears to be confined and anomaly
- Occasionally called “61” that was plastic

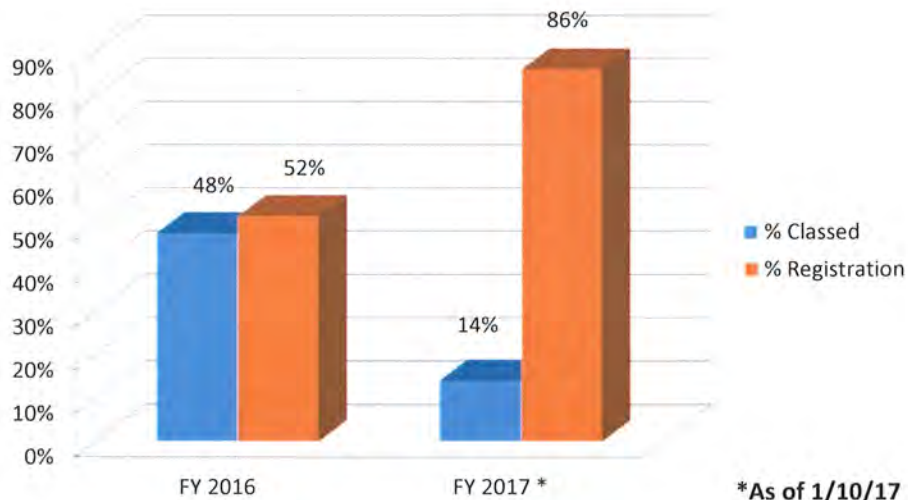
## **Futures Update**

## FY 2016/2017 Total Futures Classed/Registered

• FY 2016 (Oct. 1, 2015 – Sept. 30, 2016)	
• Futures Classed (Traditional) -	<b>120,313</b>
• FY 2016 Futures Registrations –	<b>126,497</b>
• FY 2017 (Oct. 1, 2016 – Present)	
• Futures Classed (Traditional) –	<b>21,374*</b>
• FY 2017 Futures Registrations -	<b>136,820*</b>

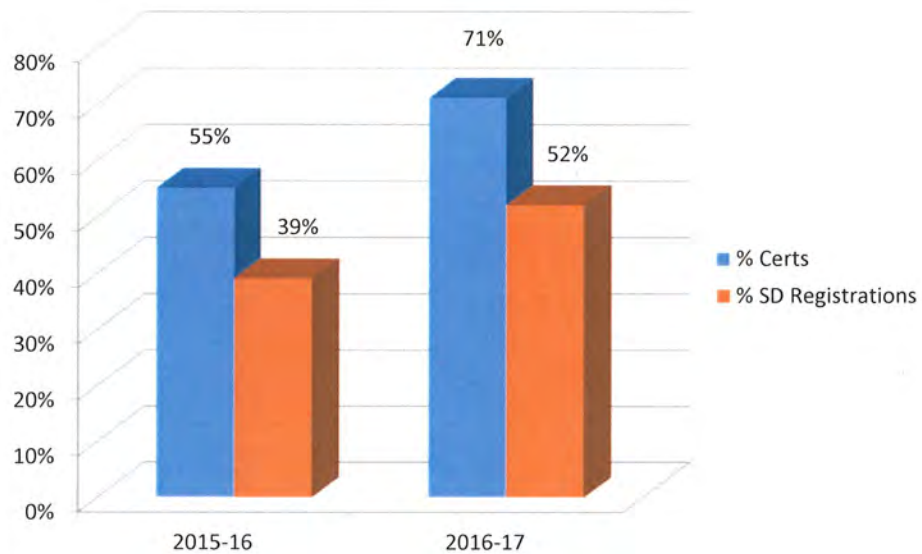
\*As of 1/10/17

## Futures Certification FY 2016 and 2017 Percent Certificated by Method





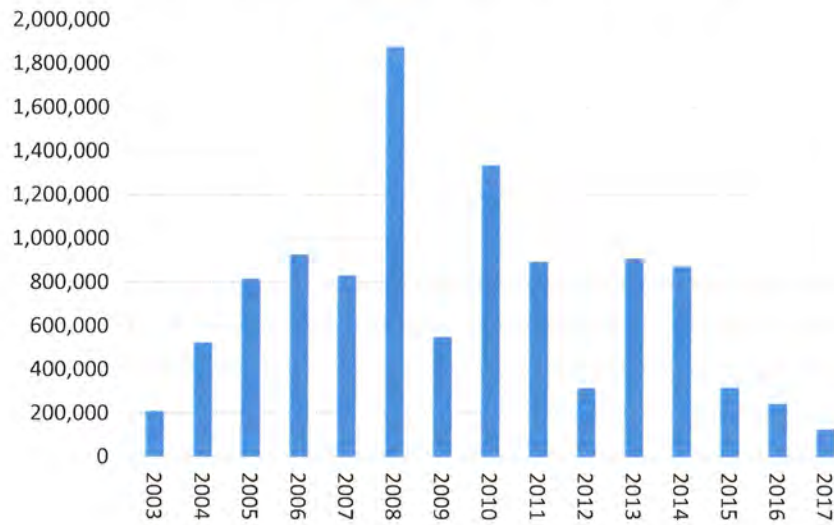
## Percentage of Crop Eligible for Certification



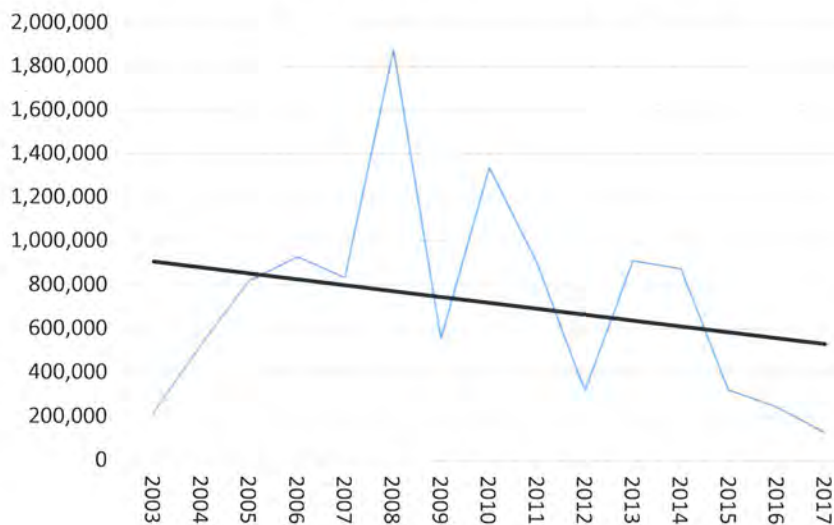
## Futures History Since 2002-03 Season

Futures Year	Classing	Registration	Total
FY 2003 Futures Total	210,381		
FY 2004 Futures Total	524,532		
FY 2005 Futures Total	816,412		
FY 2006 Futures Total	929,313		
FY 2007 Futures Total	833,931		
FY 2008 Futures Total	1,879,686		
FY 2009 Futures Total	533,145		
FY 2010 Futures Total	1,338,647		
FY 2011 Futures Total	895,029		
FY 2012 Futures Total	318,337		
FY 2013 Futures Total	913,179		
FY 2014 Futures Total	488,482	387,022	875,504
FY 2015 Futures Total	214,124	107,491	321,615
FY 2016 Futures Total	120,313	126,497	246,810
FY 2017 Futures Total	21,374	136,820	158,194

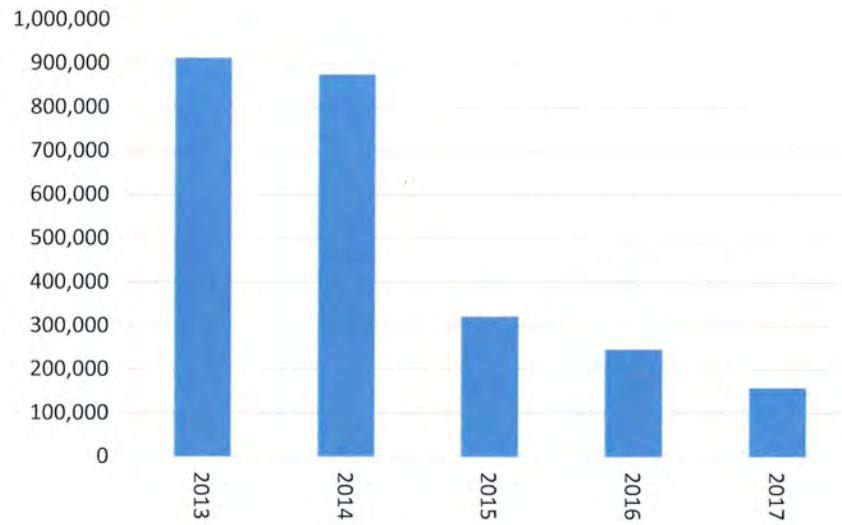
### FY Futures Certification Totals



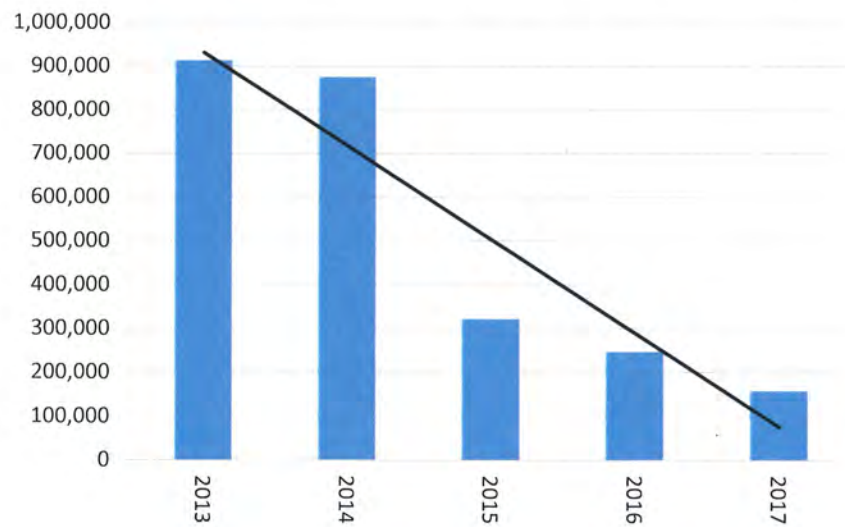
### FY Futures Certification Totals



**FY Futures Certification Totals since 2013**



**FY Futures Certification Totals since 2013**



### Tenderable Summary for Cotton #2 Contract and Smith-Doxey Registration

Crop Year	Tenderable Cotton Eligible for #2 Contract (bales)	Percentage of Crop Eligible for #2 Contract	Total Bales Eligible for Registration (bales)	Percentage of Crop Eligible for Registration
2015-16	6,927,374	55.3%	4,904,758	39.2%
2016-17	10,277,000	71.0%	7,468,699	51.6%

### Foreign Growth Cotton (World Cotton Contract)

FY 2016 (Oct. 1, 2015 – Sept. 30, 2016)

Foreign Growth Classing – **7,735**  
(One large order)

FY 2017 (Oct. 1, 2016 – Present)

Foreign Growth Classing - **0**

## **Futures Fee Review**

### **Futures and Foreign Growth Fees**

- Raised fee for all futures classification effective in July 2016 to \$4.25/sample
- Set fee for foreign growth for world cotton contract to \$6.00/sample
- Raised fee for arbitration classification effective in July 2016 to \$6.00



## Formula Process in USDA-AMS

- Annually, formulas in AMS Budget Office are used to calculate what fees “should” be assigned based on all inputs submitted by Programs
- AMS Programs also submit fee schedule proposal with justifications and formula calculations attached
- AMS Programs reserve the right to alter the fees as calculated by the Budget Office with proper justification (“last right of refusal”)
- AMS publishes overall fee schedule for all Programs by June 1 each year with applicable effective dates

### Fee vs. Cost Comparison 2016/17 vs. 2017/18

Service	2016-17 Fee	User Fee – Formula Calculation	2017-18 Fee
Futures	\$4.25	\$7.28	?
Foreign Growth	\$6.00	\$10.94	?

### **Fee vs. Cost Comparison 2016/17 vs. 2017/18**

<b>Service</b>	<b>2016-17 Fee</b>	<b>User Fee - Formula Calculation</b>	<b>2017-18 Fee</b>
<b>Futures</b>	<b>\$4.25</b>	<b>\$7.28</b>	<b>\$4.25</b>
<b>Foreign Growth</b>	<b>\$6.00</b>	<b>\$10.94</b>	<b>\$6.00</b>

### **Reasons for not Raising Fees**

- C&T made changes to Quality Assurance in 2016
  - Reduced HVI lines from 14 to 8
  - Reduced QA staff
  - Reduced expenses
- More changes and efficiency improvements planned for 2017
  - Further instrument and staff reduction
  - Supplemental work from Grading Division
- Anticipation of possible increased futures and registrations in 2017

## **Innovation Update**

### **Key Innovations**

- Automation
- Business Analytics
- Quality Management Program
- Imaging

## **Key Changes for 2016-17**

- Addition of Ronnie Robbins as 2<sup>nd</sup> Associate Deputy Administrator
- Retirement of Angela Hooper (Associate Deputy Administrator) January 7
- Other key retirements – Instrument Coordinator (Feb. 2017); administrative personnel; others possible
- New President and Administration - Transition
- Possible Hiring Freeze

USDA Update

**THANK YOU!!**

**Darryl Earnest  
Deputy Administrator  
USDA, AMS, Cotton & Tobacco Program  
Memphis, Tennessee**