



NEWS RELEASE

UNITED STATES DEPARTMENT OF AGRICULTURE • FARM SERVICE AGENCY

USDA
Farm Service Agency

1400 Independence Ave., SW
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UPLAND COTTON ANNOUNCEMENT

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The Department of Agriculture's Commodity Credit Corporation announced the adjusted world price (AWP) for Strict Low Middling (SLM) 1-1/16 inch (leaf grade 4, micronaire 3.5-3.6 and 4.3-4.9, strength 26.0-28.9 grams per tex, length uniformity of 80.0-81.9 percent) upland cotton (base quality), adjusted to U.S. quality and location, the fine count adjustment (FCA), the coarse count adjustment (CCA), and the loan deficiency payment (LDP) rate that will be in effect from 12:01 a.m., Eastern Time, July 7, 2017, through midnight, Eastern Time, Thursday, July 13, 2017. The next announcement of the AWP, FCA, CCA, and LDP rate for upland cotton will be on Thursday, July 13, 2017, at 4:00 p.m., Eastern Time.

In response to cotton industry recommendations, this year FSA is releasing the new Costs-to-Market Adjustment used in the Adjusted World Price (AWP) in today's news release. However, the existing adjustment remains in effect and the new adjustment will be incorporated into the July 20, 2017 news release, and become effective at 12:01 a.m. the following day. The new rate will be **14.50** cents/pound. Note also that the quality adjustment will be changed in the first release of the 2017 marketing year, and moves from 2.90 cents/pound to 2.55 cents/pound, based on the 2017 cotton loan premium and discount schedule. This year, participation in the cost-to-market survey increased significantly and some of the questions were modified slightly. The cost categories and calculations for the cost adjustment were identical to prior years, with the exception of the newly-included warehouse receiving charges and the breaking out of overhead and miscellaneous charges. FSA may modify the survey annually to better understand industry dynamics or to remove questions for which responses are no longer needed.

| | <u>Cents/lb.</u> |
|--|------------------|
| Adjusted World Price (AWP) | 65.33 |
| Fine Count Adjustment (FCA) 2016 Crop | 0.00 |
| Fine Count Adjustment (FCA) 2017 Crop | 0.00 |
| Coarse Count Adjustment (CCA) | 0.00 |
| Loan Deficiency Payment (LDP) Rate | 0.00 |

This week's AWP, FCA, and CCA are determined as follows:

| | | |
|------------------|-----------------------------|--------------|
| AWP calculation: | Far East (FE) Price | 82.76 |
| | Adjustments: | |
| | Avg. costs to market | -14.53 |
| | SLM 1-1/16 inch cotton | -2.90 |
| | Sum of Adjustments | -17.43 |
| | ADJUSTED WORLD PRICE | 65.33 |

| | | |
|---|-------------|-------------|
| FCA calculation: | 2016 | 2017 |
| Loan Schedule Premium for SM 1-1/8" Cotton | 2.00 | 2.15 |
| Less Market Premium (cannot be less than zero) | 2.54 | 2.54 |
| FINE COUNT ADJUSTMENT (cannot be less than zero) | 0.00 | 0.00 |

| | | |
|--------------------------------------|---------------------|--------|
| Market Premium for SM 1-1/8" Cotton: | | |
| | FE Fine Count Price | 85.30 |
| | FE Price | -82.76 |
| | Total: | 2.54 |

| | | |
|------------------|--|-------------|
| CCA calculation: | | |
| | FE Price | 82.76 |
| | FE Coarse Count Price | - 81.05 |
| | Adjustment to SLM 1-1/32 inch cotton | - 5.55 |
| | COARSE COUNT ADJUSTMENT (cannot be less than zero) | 0.00 |

The Agricultural Act of 2014 provides that the AWP may be further adjusted if the Secretary

determines adjustment is necessary to 1) minimize potential loan forfeitures, 2) minimize accumulation of Government stocks, 3) ensure free and competitive marketing of upland cotton, both domestically and internationally, and 4) ensure an appropriate transition between current-crop and forward-crop price quotations. No adjustment has been made this week.

Because the AWP for the period exceeds 52.00 cents per pound, which is the base quality loan rate, the loan repayment rate during this period is equal to the loan rate, adjusted for the specific quality plus applicable interest and storage charges.