

July x, 2020

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Chuck Schumer
Democratic Leader
U.S. Senate
Washington, DC 20510

Dear Leader McConnell and Leader Schumer:

Thank you for your continued leadership through this ongoing pandemic impacting all of the U.S. economy. As you know, farmers, ranchers, and the entire agricultural commodity value chain are suffering due to the crisis with the required business shutdowns resulting in disruptions throughout the food and fiber supply chains.

Across the agricultural sectors, the U.S. cotton and textile industry is particularly hard hit as the COVID-19 pandemic is causing unprecedented demand destruction for cotton apparel and textiles. Billions of dollars of orders have been cancelled as retail shopping outlets remain closed or operate at reduced capacity. The collapse in cotton demand is being felt across the U.S. cotton industry from textile manufacturers to merchandisers to cotton producers, and all segments in between. The viability of the farms and businesses, and the jobs they represent, are at risk of not surviving this crisis.

When Congress considers additional relief efforts in response to COVID-19, we believe any package should ensure USDA's next round of agricultural assistance will adequately address the magnitude of the losses felt throughout the cotton supply chain by cotton farmers and include critical relief for textile mills and the cotton merchandising segment, all of which are facing unprecedented economic losses.

From March through May, the Census Bureau reports that clothing sales are down by \$44 billion, or 67%, relative to the same 3-month period in 2019. U.S. textile mills report a 90% drop in orders for the yarn they produce and are consuming cotton at a seasonally-adjusted annual rate of just 250,000 bales, down over 90% from year-ago levels. With mill consumption at an all-time low, the loss in monthly yarn production value is \$200 to \$300 million. U.S. textile manufacturers have idled much of their production capacity, with the notable exception being the industry's efforts to redirect production lines to manufacture PPE and other health-related textiles. However, that production is costly to maintain when running at less than optimal capacity. The response of the textile manufacturers underscores the importance of supporting and rebuilding this domestic production base.

In response to the global economic disruptions, USDA lowered their estimates of global mill use for this year and next by a combined 23 million bales, which exceeds the size of annual U.S. cotton production. That loss in demand represents a market value of almost \$8 billion. The slowdown in cotton demand has caused the cancellation of 1.5 million bales of export sales since January, resulting in additional carrying costs that include storage, interest, insurance, additional interior and ocean freight costs associated with destination displacement, and other

uncontrollable costs. The industry's merchandisers have seen the values of their inventories fall sharply as they struggle with burdensome costs in the face of shrinking demand.

Cotton prices fell by as much as 30% since early this year, and that decline represents a loss in market value of approximately \$160 per acre of cotton.

In the U.S. cotton industry, from the textile mills through the merchandising and production segments, the economic pressures are mounting with businesses and farms struggling to survive. Given the precipitous decline in retail demand, the loss of textile production and lower cotton prices that are expected to persist into 2021, the economic damage to the U.S. cotton industry is currently estimated to be at least \$4.0 billion.

In addition, the cottonseed segment is in a tenuous situation since a majority of cottonseed is used as a feed ration for dairy and beef cattle and those industries are also facing severe economic and production losses.

Given the severe pressures facing U.S. cotton and all of our agriculture industry, we believe Congress should pass the necessary legislation before the August recess. We want to work closely with you and our other colleagues to ensure adequate relief for the U.S. cotton industry so that this critical industry receives the necessary assistance for all segments to survive and recover.

Sincerely,

cc: Honorable Pat Roberts, Chairman, Senate Agriculture Committee
Honorable Debbie Stabenow, Ranking Member, Senate Agriculture Com