



Trading Rules of the American Cotton Shippers Association
Adopted: June 18, 2025

TRADING RULES
OF
THE
AMERICAN COTTON SHIPPERS ASSOCIATION

Preamble

Cotton producers and merchants have operated for many decades under trading rules that vary by region, reflecting distinctive ways of doing business. Over the years, regional distinctiveness gave way to a global marketplace where merchants buy and sell cotton from producers across the United States on a daily basis with the use of technology unknown to merchants when regional trading rules were first compiled. As the cotton trading business evolved, so too has the need to develop a common set of trading rules that can govern transactions across the many regions of the U.S. market.

These Rules are offered under the auspices of the American Cotton Shippers Association to serve as a common set of rules, updated and adapted to reflect the ways that producers and merchants do business today. They are intended for use with respect to purchases of cotton by merchants from producers, as well as with transactions between merchants, across the numerous regions of the United States.

These Rules are voluntary and should be utilized only by, and to the extent of, the mutual consent of the parties whose trade will be governed by them. These Rules are also not intended to impose fixed, pre-determined terms of trade on any party to a contract or otherwise inhibit their commercial choices. At all times, parties to a transaction should tailor their contract to meet their needs and to reflect the particular bargain to which they have agreed. When the terms of a contract are in conflict with any part of these Rules, the terms of the contract should govern. These Rules shall be applied only to the extent the actual contract reached by its parties is silent.

RULE 1

DEFINITIONS

- 1.1 Adjusted World Price.** “Adjusted World Price” means the prevailing adjusted world price determined and announced by the U.S. Department of Agriculture’s Commodity Credit Corporation under the Code of Federal Regulations, Title 7, Part 1427 (7 CFR Part 1427).
- 1.2 Bale.** “Bale” means cotton densely packed, properly packaged, and available for shipment.
- 1.3 Bale Density.** “Bale density” means the unit of measurement of net bale weight per bale volume normally expressed as pounds per cubic foot.
- 1.4 Bale Tag.** “Bale Tag” means a label affixed to a bale that bears that bale’s unique Permanent Bale Identification (PBI) number.
- 1.5 Bid.** “Bid” means the price at which a Buyer is willing to purchase cotton.
- 1.6 Culling Cotton.** “Culling cotton” means the process of selecting and removing particular cotton prior to delivery against a forward contract.
- 1.7 Delivery.** “Delivery” means tender of the necessary documentation and collateral specified by the contract.
- 1.8 Electronic Warehouse Receipt.** “Electronic Warehouse Receipt” means a warehouse receipt that is authorized by USDA Agricultural Marketing Service to be issued or transmitted under the United States Warehouse Act in the form of an electronic document.
- 1.9 FOB.** “FOB” means free on board. Parties to a contract subject to these Rules are urged to memorialize the charges, and any applicable penalties, that will apply to the particular FOB destination chosen in their contract.
- 1.10 Forward Contract.** “Forward Contract” means a trade executed when quality and/or quantity may not yet be known and that is generally intended for delivery and payment at some time designated in the future.
- 1.11 Gin Yard.** “Gin yard” means the area at a gin where baled cotton is loaded.
- 1.12 Government Class.** “Government Class” means the classification given to cotton by USDA, historically referred to as a “Green Card.”
- 1.13 Grade A Bale.** “Grade A Bale” means a bale that meets the visual grading standard for a Grade A bale established and published by the Joint Cotton Industry Bale Packaging Committee.

- 1.14 Irrigated Cotton.** “Irrigated Cotton” means cotton that was cultivated, wholly or in part, through application of ground or surface water to the soil or plant.
- 1.15 Ground Cotton.** “Ground cotton” means the cotton initially left on the ground following initial harvest of cotton from the plant and later collected from the ground by a Rood harvester.
- 1.16 Growth.** “Growth” means the geographic area where cotton was grown.
- 1.17 Non-Recourse Loan.** “Non-recourse loan” means a non-recourse loan described in the Code of Federal Regulations, Title 7, Part 1427 (7 CFR Part 1427).
- 1.18 Offer.** “Offer” means the price at which Seller is willing to sell cotton.
- 1.19 On Call Transaction.** “On Call Transaction” means a sale in which the price is to be determined, or “fixed,” at a later time, with the basis established by reference to a specific Intercontinental Exchange (“ICE”) futures contract month. The party with right to fix the price has a “call privilege.”
- 1.20 Option to Purchase.** “Option to Purchase” means a contract that provides Buyer with an option to redeem cotton from the grower’s non-recourse loan (also referred to as Equity or Equity Option).
- 1.21 Raingrown Cotton.** “Raingrown Cotton” means cotton cultivated without irrigation.
- 1.22 Region.** “Region” or “Regional” means or refers to the sub-national geographical area where cotton being delivered was grown, provided, the Western region includes Arizona, California, Nevada, New Mexico (except Lea County), and the Pecos and El Paso Valley of Texas.
- 1.23 Spot Transaction.** “Spot Transaction” means a trade executed when a known quality and quantity of cotton is available for delivery.
- 1.24 Warehouse.** “Warehouse” means the physical structure in which cotton is stored.
- 1.25 Weight.** “Weight” means net weight.
- 1.26 USDA.** “USDA” means the United States Department of Agriculture.

RULE 2

CONTRACTS

2.1 Contracts.

A contract for the purchase and/or sale of cotton shall be deemed final at the time when the price, quality, quantity, time and place or places of delivery and all conditions and terms, including

international commercial terms, affecting the transaction have been agreed upon between Buyer and Seller. No contract may be rescinded without mutual consent of both parties thereto. Merchantable and deliverable cotton shall be understood as guaranteed by Seller. It is suggested that a written contract signed by Buyer and Seller follow up orally agreed upon terms.

2.2 Fulfillment of Contracts.

2.2.1 Basis of Grade and Differences. Base grade and differences shall be established in the terms of contract between the parties.

2.2.2 Trades Governed by Association Rules. Contracts based on these Rules should identify such basis clearly.

2.3 Merchantable and Deliverable Cotton.

Contracts should describe the specific qualities and/or conditions that constitute merchantable and deliverable cotton; provided that, in addition to such other terms described in the contract, cotton that is rebaled, scorched, oily, excessively gin cut, damaged, seedy, sandy, dusty, reginned, and/or containing moisture in excess of 7.5% shall be unmerchantable.

2.4 Failure to Complete Contract.

2.4.1 Failure to Deliver. Seller shall provide cotton at the place and within the required time, with necessary documentation and collateral, specified by the contract, subject to the following:

2.4.1.1. Spot Cash Transactions. With respect to spot cash transactions, if cotton is not delivered within five business days following the time specified by the contract or by a purchase confirmation, as applicable, Buyer may declare Seller in breach. If Buyer declares Seller in breach, Buyer may declare the contract null and void, in which case Seller shall owe Buyer market differences.

2.4.1.2. Options to Purchase. With respect to an option to purchase cotton subject to a USDA non-recourse loan, Seller must execute and deliver to Buyer, before 11:00 am Central Time the following business day, an invoice and properly executed electronic documents that provide the information described in Rule 5.1.1, upon a failure of which Buyer may declare Seller in breach. If Buyer declares Seller in breach, Buyer may declare the contract null and void, in which case Seller shall owe Buyer market differences.

2.4.1.3. Forward Contracts. With respect to forward contracts, if the cotton is not delivered within thirty business days following USDA classing date, Buyer may declare Seller in breach. If Buyer declares Seller in breach, Buyer may declare the contract null and void, in which case Seller may owe Buyer market differences.

2.4.1.4. Cancellations. In any case where delivery and/or shipment is delayed beyond the time specified and Seller claims the delay is due to a cause described in Rule 3.9 (Force Majeure), Seller shall furnish no later than the scheduled date of delivery and/or shipment, an affidavit showing reason(s) for delay, upon a failure of which Buyer may declare Seller in breach subject to and in accordance with Rule 2.4.1.

2.4.2 Failure to Pay. If Seller has not been paid after five business days after the date on which payment was due, Seller may declare Buyer to be in breach of contract. If Seller declares Buyer in breach, Seller may declare the contract null and void, in which case, Buyer may owe Seller market differences plus accrued storage, insurance and interest.

2.5 Warehouse Liens.

Electronic warehouse receipts shall be transferred to Buyer free of lien, including any lien that may otherwise be deemed to have been incorporated into the receipt by the provider of title, when the cotton is delivered.

2.6 Exceptions by the Consent of the Parties.

Exceptions to these Rules, excluding fraudulent practices, may be established by mutual agreement of Buyer and Seller at time of trade.

2.7 Disputes.

A contract should identify the means of resolving a dispute that arises between the parties. In the event a contract does not identify such means of resolution, either party may seek resolution through final and binding arbitration in accordance with the ACSA Arbitration Rules. The award rendered as a result of such arbitration shall be final and binding on the parties and may be entered and enforced in any court having jurisdiction.

RULE 3 TERMS OF SALE AND DELIVERY

3.1 Delivery.

3.1.1 Delivery. Specific terms of delivery should be established by the contract between Buyer and Seller.

3.1.2 Delivered at One Warehouse. Requirements concerning deliveries per warehouse shall be described in the contract between Buyer and Seller. Multiple pick-up deliveries may be agreed upon. If no such requirements are specified, delivery at no more than one warehouse location shall be understood.

3.1.3 FOB Terms. FOB terms shall mean the following, though shall not preclude the parties from agreeing to additional terms in their contract:

3.1.3.1 FOB Gin Yard (ACSA Term 1). Transfer of ownership occurs when cotton is loaded on car/truck by Seller at gin yard.

3.1.3.2 FOB Warehouse, Compression Not Paid (ACSA Term 2). Charges for Seller shall include receiving, storage through the date of invoice, samples, if requested by Buyer, any surcharge and all accrued taxes.

3.1.3.3 FOB Warehouse, Compression Paid (ACSA Term 3). Charges for Seller shall include compression, receiving, storage through the date of invoice, samples, if requested by Buyer, any surcharge and all accrued taxes.

3.1.3.4 FOB Cars/Trucks, Compression Not Paid (ACSA Term 4). Charges for Seller shall include receiving, storage through the date of invoice, samples, if requested by Buyer, any surcharge, all accrued taxes, stenciling one line 5 letter mark, shipping and/or picking out by tag number and loading into railroad cars, trucks or containers.

3.1.3.5 FOB Cars/Trucks, Compression Paid (ACSA Term 5). Charges for Seller shall include compression, receiving, storage through the date of invoice, samples, if requested by Buyer, any surcharge, all accrued taxes, stenciling one line 5 letter mark, shipping and/or picking out by tag number and loading into railroad cars, trucks or containers.

3.1.3.6 FOB Cars/Trucks, Compression Paid Plus 30 Days (ACSA Term 6). Charges for Seller shall include compression, receiving, storage through the date that is thirty (30) calendar days following the date of invoice, samples, if requested by Buyer, any surcharge, all accrued taxes, stenciling one line 5 letter mark, shipping and/or picking out by tag number and loading into railroad cars, trucks or containers.

3.2 Electronic Warehouse Receipts.

Cotton shall be invoiced utilizing electronic warehouse receipts with original net weights.

3.3 Invoicing and Payments.

All cotton delivered and invoiced with the necessary documentation and collateral as specified by the contract by 11:00 a.m. Central Time must be paid for by bank draft or wire transfer during normal banking hours the same business day.

All cotton delivered and invoiced with the necessary documentation and collateral as specified by the contract after 11:00 a.m. Central Time must be paid for by bank draft or wire transfer during normal banking hours the following business day.

Any bank exchange or collection charge at Buyer's bank shall be for Buyer's account, and any bank exchange or collection charge at Seller's bank shall be for Seller's account.

3.4 Packaging and Tare.

3.4.1 Bale Packaging. Cotton shall be packaged in bales that meet the specifications established by the Joint Cotton Industry Bale Packaging Committee for a "Grade A Bale."

3.4.2 Density. With respect to size, a merchantable bale shall be understood to comply with the specifications established by the Joint Cotton Industry Bale Packaging Committee for a gin universal density bale.

3.5 Weights and Penalties.

3.5.1 Average Bale Weights. All contracts for sale and delivery of cotton (upland and American Pima) are based on total net weight of fifty thousand (50,000) pounds per one hundred (100) bale contract with three (3) percent variance permitted. This Rule shall apply in the same ratio to cotton sold in all other lot sizes. Should the total weight of the number of bales contracted exceed the permitted variance of three (3) percent, Buyer shall be entitled to the difference in the market on such excess weight or short weight; provided, however, for all spot transactions, the number of bales contracted shall be delivered regardless of weight.

3.5.2 Lightweight and Overweight Bales.

3.5.2.1. For each bale weighing less than 475 pounds or greater than 525 pounds, net, Seller may be assessed a penalty of \$5.00.

3.5.2.2 A bale weighing less than 400 pounds or more than 600 pounds, net, may be rejected by Buyer.

3.5.3 Calculating Bale Weights. The methodology for calculating bale weights provided by the electronic warehouse receipt shall apply.

3.6 Crop Year.

Crop year must be identified at time of sale, failure of which may be grounds for rejection of delivery at the discretion of Buyer.

3.7 Region of Growth.

Region of growth must be designated at time of sale, though nothing shall preclude the parties to a contract from agreeing to require designation of growth by state or sub-regional area.

3.8 Transferability.

Contracts between Buyer and Seller are not transferable nor assignable to another party without the express agreement of both parties.

3.9 Force Majeure.

Seller shall not be responsible for delay caused by acts of God, fire, war, riot, strikes, embargo, pandemic, quarantine, government regulation or failure to perform necessary regulatory action including but not necessarily limited to classing or inspection services, and any other similar events beyond Seller's reasonable control, that affect the cotton contracted for by Seller for filling such sale. Such events excuse delay but do not excuse delivery.

RULE 4 CONDITION

4.1 Bale Packaging and Conditioning.

Cotton shall be packaged in bales covered with bagging and ties that meet the specifications established by the Joint Cotton Industry Bale Packaging Committee for a "Grade A Bale." Seller shall notify Buyer as soon as practicable after Seller becomes aware of damage to a bale. A claim by Buyer for repair to Seller shall be made within one (1) business day of Seller's notice to Buyer of damage, in which event Seller shall have the option of making such repair or reimbursing Buyer for costs of repair made by Buyer. No claim by Buyer for repair or for reimbursement of repair may be made to Seller after one (1) business day has elapsed since notice by Seller or for a bale that has been removed from its place of storage when stored in a licensed warehouse; except, with respect to a bale for which internal damage is unknown until a later time.

4.2 Bale Density.

Where no mention as to compression was made at time of sale, Buyer may reject delivery of any cotton of density other than gin universal density; in the event cotton is so rejected the market difference shall be adjusted between Buyer and Seller, provided a claim is made within five (5) business days from invoice date.

RULE 5
Options to Purchase, On Call Transactions, and Offers

5.1 Options to Purchase Cotton Subject to a USDA Non-Recourse Loan.

5.1.1 Execution and Delivery. With respect to an option to purchase cotton subject to a USDA non-recourse loan, the invoice and properly executed electronic documents described in Rule 2.4.1.2 shall provide the:

1. Sub-holdership via Electronic Agent Designation (“EAD”);
2. Crop Year;
3. Loan No.(s);
4. State & County Code(s) and Farm No.(s);
5. Documents Received Date;
6. Loan Disbursement Date; and
7. Loan Maturity Date;

and authorize the receipt holder to release the electronic warehouse receipts to Buyer or to its successor in interest upon payment of the loan indebtedness and accrued interest on such cotton. Seller must warrant that all parties who must sign the necessary loan documents in order to make it transferable to a subsequent Buyer have done so. In the event Seller does not deliver properly executed documents the following business day, before 11:00 am Central Time, Seller must reimburse Buyer for any proven losses resulting from delayed delivery. In the event both parties agree, a properly executed USDA Commodity Credit Corporation (“CCC”) Form 605 may be accepted in lieu of an EAD.

5.1.2 Redemption. Seller and/or Producer must agree either not to redeem such cotton from the loan or to execute another CCC Form 605 or EAD in favor of any other person for redemption of such cotton during the life of the option to purchase.

5.1.3 Absence of Written Contract. In the event there is no written contract covering a transaction governed by this Rule, the following are understood to be terms of agreement for such transaction.

- a. Notwithstanding any other provision of the option to purchase or any other contract, title and control of the cotton and beneficial interest in the cotton as required in 7 CFR 1427.5 shall remain with the producer until Buyer exercises the option to purchase the cotton. The option to purchase shall expire notwithstanding any action or inaction by either the producer or Buyer at the earlier of:
 - (1) The maturity of any CCC loan that is secured by such cotton.
 - (2) The date CCC claims title to such cotton; or
 - (3) Such other date as provided in this option.

- b. Buyer, or its successor in interest to an option to purchase, agrees that in the event that the cotton is not redeemed from the loan it shall reimburse Seller for related loan program charges not otherwise covered by this agreement. Buyer or its successor may exercise such right to redeem without further notice to Seller. Seller covenants and agrees to advise Buyer promptly in the event that the CCC notifies Seller that the loan maturity date has been accelerated.
- c. The parties acknowledge that Seller may be ineligible for marketing loan gains under federal law. In the event Seller's ineligibility causes Buyer to pay the CCC in excess of the Adjusted World Price ("AWP") to obtain redemption, then Seller will promptly reimburse Buyer for redemption costs in excess of AWP. It is intended that Buyer's redemption price shall not exceed AWP, and that any redemption cost in excess of AWP shall be for Seller's account.

5.2 "On Call" Transactions.

- 5.2.1 "On Call" Transactions.** When cotton is traded "on call," unless otherwise specified at time of sale or extended by mutual agreement, the party having the call privilege shall fix the price not later than three (3) market days preceding the first notice day of the ICE futures contract month on which the futures price is based. Failing this, the party not having the call privilege may fix the price at their discretion on the close of the market of that third day by notification to the party who failed to exercise their call privilege.
- 5.2.2 Transfer of Call Month.** If a call privilege is transferred from one futures month to another, the party having the call shall pay the necessary expense of transfer, which expense shall consist of the usual commission charged.
- 5.2.3 Invoicing at Provisional Price.** If price has not been fixed by the time of invoicing, the cotton shall, unless otherwise agreed at time of sale, be invoiced at a mutually agreed provisional price. Thereafter, either party shall have the right to call for margin to meet any advances or declines in the market from the base price of the provisional invoice. Demands for margin shall be met immediately in funds designated by the party calling for margin, otherwise the party calling for margin may fix the price at their discretion, provided, however, that notice of intention to fix is given to the other party to the contract. In the absence of specific agreement as to amount of margin, one hundred (100) percent of the daily ICE futures trading limits shall be understood, synthetics to apply.

5.3 Expiration of Bids and Offers.

All bids and offers shall expire at 5:00 pm, Central Time of the same day.

RULE 6
Fraudulent and Unfair Trade Practices

6.1 Sales Based on Government Class.

Where cotton is sold on Government Class or Green Card Class, misrepresentation of the official USDA class in the form of green cards, computer reports or tag lists is a fraudulent practice and a violation of these Rules.

6.2 Non-U.S. Grown Cotton.

The delivery of non-U.S. grown cotton against any contract specifying U.S. growth is a fraudulent practice and a violation of these Rules. Where a contract for sale of cotton does not specify region of growth, it shall be understood to require delivery of U.S. growth.

6.3 Reginned, Blended and Recleaned Cotton.

The delivery of reginned, blended or recleaned cotton, unless specified and described as such in the contract between the parties, is a fraudulent practice and a violation of these Rules.

6.4 Irrigated and Raingrown Cotton.

The delivery of raingrown cotton against a contract for irrigated cotton or of irrigated cotton against a contract for raingrown cotton, except by mutual consent of the parties, is an unfair trade practice and a violation of these Rules.

6.5 Removal of Permanent Bale Identification.

The removal of the permanent bale identification (“PBI”) tag or the failure to replace any such tag on a recovered bale is a fraudulent and unfair trade practice and a violation of these Rules.

6.6 Ground Cotton.

The delivery of ground cotton, unless otherwise described as such in the contract, is a fraudulent practice and a violation of these Rules.

6.7 Culling Cotton.

Culling cotton for delivery against a forward contract is a fraudulent and unfair trade practice.