

NATIONAL AFFAIRS
Adopted at the SCA 90th Annual Convention
Chickasaw County Club, Memphis, TN – April 21, 2005

1. FARM PROGRAM

We support the continuation of the cotton provisions encompassed in the Farm Security and Rural Investment Act (FSRIA) of 2002. Any changes to the program should be undertaken according to the following guidelines.

- * U.S. cotton must remain competitive in the world market.
- * Production levels should be determined by supply and demand.
- * Program costs must be kept at reasonable levels.
- * Permanent law should be repealed.
- * Transition from the system of supported prices to programs which develop a system of yield insurance coupled with the use of available risk management alternatives.

2. CROP INSURANCE

We recommend Congress and the USDA make full use of the private sector to develop a system of yield and revenue insurance that does not distort planting incentives, *but does* require strict adherence to normal production and harvesting practices.

3. STEP II

We recommend the permanent elimination of the 1.25-cent threshold level utilized to determine whether US cotton is competitive with competing foreign growths.

4. CALCULATING STEP II PAYMENT RATE

- a) We recommend that USDA calculate the Step-2 Payment Rate based on a phased-in rolling four-week average in order to minimize the variability of the current weekly rate, with the current four-week Step-2 trigger remaining in effect.
- b) We recommend that USDA administer the Step-2 payment rate based on the date of sales for export sales and equivalent terms for domestic mills.

5. WAIVER OF CARRY CHARGES

We support the continuation of the Marketing Loan, and to ensure that it effectively keeps U.S. cotton competitive in domestic and world markets, we recommend that:

- (a) The current USDA policy be maintained whereby accrued interest and storage are not charged when the Adjusted World Price is below the loan, and whereby interest and storage are not fully charged until the AWP exceeds the level of the price support loan plus the accrued interest and storage.
- (b) When the AWP exceeds the loan level, carrying charges payable at redemption should be determined by quality, including the coarse count adjustment when applicable.

6. GENERIC CERTIFICATES

We recommend that the USDA continue to make generic certificates available to redeem cotton from the loan without application of payment limitations, and to purchase other CCC-owned commodities

7. PAYMENT LIMITATIONS

We oppose limitations on any program payment benefits received by producers.

8. LOAN RATE

We recommend maintaining the maximum loan rate of 52.00 cents per pound.

9. LOAN TERMS

We recommend that the terms of all CCC loans be loaded on conveyance with compression paid

10. LOAN PERIOD AND EXTENSION

We recommend that all CCC loans be on a ten-month, non-recourse basis without extensions.

11. BASE LOAN QUALITY

We recommend that the base loan quality be Color 41, Leaf 4, Staple 34, Micronaire 3.5-4.6, Strength 26.0-27.9 GPT, and Uniformity 80-82.

12. LOAN PREMIUMS AND DISCOUNTS

We recommend:

- (a) That legislation be re-enacted requiring that the premiums and discounts for quality factors for the upland cotton loan program be established by the Secretary by giving equal weight to (1) loan differences for the preceding crop, and (2) market differences for such crop in the designated U.S. spot markets.
- (b) That the base micronaire range be 3.5-4.6 and that a new category be established for 4.7-4.9 micronaire.
- (c) That the base for the GPT be established at 26.0-27.9 with increments for strength premiums and discounts established at 1 GPT intervals (to be evaluated annually to reflect the 5-year average strength reported by AMS.)

13. LOCATION DIFFERENCES

We recommend that location differences be discontinued as they presently relate to domestic freight costs that do not reflect export values.

14. AWP CALCULATION

We request the USDA to announce any changes in the AWP calculation at least one month prior to its implementation and to conduct timely annual reviews of transportation cost adjustments.

15. N. EUROPE QUOTATIONS

In order to maintain the competitiveness of U.S. cotton, we recommend the Cotlook Limited expand the list of eligible N. Europe quotations to include individual countries in Africa and Central Asia.

16. LOAN DEFICIENCY PAYMENT (LDP)

We recommend that the cotton producers be provided with maximum flexibility in receiving Loan Deficiency Payments to allow cotton to move to consuming mills on a timely basis.

17. 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.

18. CENTRALIZED CCC LOAN COLLATERAL AND OTHER FILINGS TO THE USDA

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 cotton.

We urge the USDA and other Federal Agencies to allow electronic filing, processing, and response of the many documents, which are currently done manually. These documents include but are not limited to:

- Phytosanitary Certificate to USDA-APHIS
- Step II filings to the USDA-CCC
- Export Sales Report
- Export Declaration and other documents to the U.S. Customs Department
- GSM Loan documents

19. STANDARDIZED REDEMPTION PROCEDURES

We request that the FSA follow the loan redemption procedures at all county offices and thoroughly train all employees to adhere to the standardized loan redemption procedures.

20. CCC WEEKLY LOAN FIGURES

We urge the USDA to make a concerted effort to keep the weekly loan figures current and accurate, as trading decisions are based on this timely information. Further, we request that cotton subject to CCC Form 605 Option to Purchase contracts be listed separately by state.

21. 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.

22. MONETARY POLICY

We urge the U.S. government to implement monetary policy that values the dollar at its long-term equilibrium level to encourage exports and to provide domestic manufacturing industries with the opportunity to compete against imports.

23. RAW COTTON IMPORTS

We recommend that import tariffs on raw cotton be permanently eliminated, and that U.S. textile mills have access to adequate supplies of raw cotton imports as required by U.S. production, price levels, or trade agreements.

24. TEXTILE TRADE AGREEMENTS

We urge the U.S. Department of Commerce, U.S. Customs Service and the U.S. Trade Representative to actively monitor and enforce agreed-upon trade provisions in order to guarantee U.S. agricultural and textile products full access to all markets and to protect the U.S. textile industry from damaging import surges.

25. "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 the U.S. yarn and sewn with U.S. thread.

26. EXPORT/IMPORT CONTROLS OR EMBARGOS

We oppose export or import controls or embargoes because they restrict free competitive access to world markets and diminish our reputation as reliable sellers. Controls, licensing or embargoes could discourage production and jeopardize the market-oriented policy of U.S. cotton programs.

27. 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 of 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.

28. LICENSING OR BONDING OF COTTON MERCHANTS

We strongly oppose state or federal legislation that impedes the marketability of cotton or requires the bonding and/or licensing of cotton merchants, as the cost of administrating such requirements would be charged to the cost of handling cotton, resulting in reduced producer income.

29. TAXES

We strongly oppose taxes based on the value of the cotton or services performed. This specifically includes sales tax on warehouse charges in Mississippi and ad valorem taxes in Georgia.

30. HARBOR MAINTENANCE

We oppose the imposition of harbor maintenance fees and urge the Congress to fund the dredging and maintenance of US rivers and harbors from the general funds of the US Treasury.

31. COTCO

The Committee Organized for the Trading of Cotton is a 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 their full support and participation. We urge our members and their employees to 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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