

NATIONAL AFFAIRS COMMITTEE
Adopted at the 96th Annual Convention
Chickasaw Country Club, Memphis, Tennessee – April 13, 2010

1. FARM PROGRAM AND STEP 2

We support the provisions of the *Food Conservation & Energy Act of 2008* (2008 Farm Bill) and urge the Congress to continue the cotton provisions in effect for its 5-year duration.

The cotton provisions of The Food, Conservation, & Energy Act of 2008 are:

<i>Duration</i>	<i>5 years</i>	
<i>Marketing Loan Rate</i>	<i>52 cents</i>	
<i>Loan Period</i>	<i>9 months</i>	
<i>Loan Extensions</i>	<i>Prohibited</i>	
<i>Storage</i>	<i>2008-2011</i>	<i>10% reduction from 2007 rate</i>
	<i>2012-2018</i>	<i>20% reduction from 2011 rate</i>
<i>Location Differences</i>	<i>Eliminated</i>	
<i>Direct Payment</i>	<i>6.67 cents</i>	
<i>CYC Target Price</i>	<i>71.25</i>	
<i>Optional State-Based Average Revenue Plan</i>	<i>Beginning in 2009, producers opting to take 20% cut in direct payments & 30% cut in loan rates can participate in state-based average revenue protection program equal to 90% of 5-yr Olympic average yield per state planted acres times 2-yr average national price.</i>	
<i>Base Payment Acreage AWP</i>	<i>83% 09-11, 85% for remainder of bill. Determined by USDA, who is about to change to the 5 lowest quotes in the FE Index with transportation & other adjustments.</i>	
<i>Loan Premiums</i>	<i>3-year weighted average of weighted spot market data of 7 AMS regions.</i>	
<i>Payment Limitations</i>	<i>No 3-entity rule, but husband & wife can qualify for separate payments.</i>	
	<i>\$40,000</i>	<i>direct</i>
	<i>\$65,000</i>	<i>counter-cyclical</i>
	<i>No limit LDP/MLG</i>	
<i>Certificates</i>	<i>Eliminated</i>	
<i>AGI Test</i>	<i>Non farmers</i>	<i>\$500,000</i>
	<i>Farmers</i>	<i>\$750,000, each for husband & wife</i>
<i>Domestic Step 2</i>	<i>2008-2011</i>	<i>4 cents/lb.</i>
	<i>2012-2018</i>	<i>3 cents/lb</i>
<i>Pima Loan</i>	<i>79.77</i>	
<i>Pima Step 2</i>	<i>Continued</i>	

(ACSA Mid - Winter Board Meeting)

We continue to support farm legislation that adheres to ACSA's established principles:

- U.S. cotton must be competitive in the World Market.
- Production 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- Permanent law should be repealed.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. FUTURES MARGIN RISK PROTECTION:

Recommend the appointment of a committee to explore the establishment of a program that would provide producers the option of receiving futures margin risk protection.

3. RECONCENTRATION OF LOAN COTTON:

To enhance the competitiveness of U.S. cotton we urge the CCC to immediately repeal the 75-day limit on storage credits when CCC loan collateral is moved to any approved CCC warehouse.

4. MICRONAIRE & GPT:

We recommend:

- a. That the base micronaire range be 3.5 to 4.7, with a new category for 4.8 to 4.9.
- b. Eliminate the split in the micronaire schedule between staple 32 and 33. Further, discuss with AMS the availability of spot market data for micronaire premiums/discounts for longer staple lengths with the goal of reviewing the need for a split between staples 33 and 34 or staples 34 and 35.
- c. That the base for the grams per tex (gpt) be established at 26.0 – 29.9 gpt, and that increments for premiums and discounts be established at 1gpt, to be evaluated annually to reflect the average of actual spot market differences as reported by AMS; and urge the USDA to change the strength premium and discount schedule so that categories begin with whole numbers.

5. COTLOOK QUOTATIONS:

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

6. 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.

7. MODULE AVERAGING:

We recommend that AMS/USDA not mandate module averaging for HVI factors.

8. AWP TRANSPORTATION COSTS:

Recommend the formula used to calculate the AWP use the actual cost of transportation, with an annual review and adjustments, if necessary, in the transportation differential.

9. ELECTRONIC PROCESSING & REDEMPTION OF LOAN COTTON:

With the implementation of the EWR system and its adoption by the CCC for loan cotton, 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 and Form G cotton.

We urge the USDA and other Federal Agencies to utilize electronic filing, processing, and response for the many documents, which are currently done manually. These documents include:

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

10. STANDARDIZED REDEMPTION PROCEDURES:

Request that the FSA thoroughly train all employees to adhere to the standardized loan redemption procedures.

11. BENEFICIAL INTEREST:

We recommend that members review all "Options 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 (LDP).

12. SALE OF CCC OWNED COTTON:

We recommend that CCC-owned Upland and ELS cotton be catalogued as soon as forfeited and auctioned without reserve every week with a re-class and reweigh at the option of the buyer. For Upland cotton, the minimum acceptable bid should be the lesser of the current market value or the AWP. Further, the Seam be required to list all warehouse charges due on cotton listed for sale in the CCC catalog, and that USDA make available all RI bale information to potential bidders in addition to gin code, gin number, warehouse bale number, gross and net weights and type of bagging. Further, we recommend that the SEAM release all price information immediately following the sale to provide the industry and the AMS with current price information.

13. BALE MOISTURE:

- We urge the Commodity Credit Corporation (CCC) to immediately establish a maximum bale moisture content level of 7.5%, with no tolerances, for cotton to be eligible for the CCC Loan Program and that the CCC establish methods of testing for moisture content prior to entry into the Loan Program.

- We urge the CCC to immediately prohibit cotton ginned with any water spray system for the purpose of adding moisture (weight) from entering the CCC Loan Program.

14. EXPORT CONTROLS OR EMBARGOES:

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

15. 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 or 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.

16. CCC WEEKLY LOAN FIGURES:

- a. We urge the Department to make a concerted effort to consolidate and keep these weekly figures current and accurate since trading decisions are based upon this timely information. Further, we request that cotton subject to CCC Form 605 - Option to Purchase Contracts be listed separately by State.
- b. We encourage CCC to report LSA and CMA cotton entered under Form G separately.

17. RAW COTTON IMPORTS:

Recommend that US textile mills have access to adequate supplies of raw cotton imports as required by US production, price levels, or trade agreements.

18. RAW COTTON EXPORTS:

We urge the USDA and the USTR to oppose all efforts by foreign governments that would restrict or limit the access of U.S. raw cotton exports.

19. IMPLEMENTATION & ENFORCEMENT OF TEXTILE TRADE AGREEMENTS:

That improved and appropriate safe guards be implemented to fully protect the US textile industry from damaging import surges and that the products of the US textile industry be guaranteed full and timely access to all markets.

20. “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 U.S. fabric made from U.S. yarn and sewn with U.S. thread. Further, we urge the strong enforcement of the Berry Amendment requiring that all military uniforms, apparel, and equipment be made in the USA.

21. HARBOR MAINTENANCE:

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

22. RESTRICTIONS ON TRANSFER OF WAREHOUSE RECEIPTS - LICENSING OR BONDING OF COTTON MERCHANTS:

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

23. CROP INSURANCE:

Urge the Congress and USDA to make full use of the private sector to develop a system of yield and revenue insurance that is not a production incentive and which will require strict adherence to normal planting, cultivation, and harvesting practices.

24. COTCO:

The Committee Organized for the Trading of cotton is the 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 your full support and participation. We urge that our members and their employees 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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