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Background and Summary of Recent Cotton Policy Developments

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Under the 2014 farm bill, cotton is not a "covered commodity" and not eligible for the ARC and PLC programs. Cotton's "safety net" is STAX but STAX has not been as well utilized and accepted by growers as expected.

One objective of the farm bill is to provide an income safety net for production agriculture. The provisions of this "safety net" are spelled out mostly in what we call the Title I portion of the farm bill legislation. Cotton, with exception of the Marketing Loan, is no longer included in Title I and, compared to covered commodities like corn, soybeans, and peanuts, is at a risk management disadvantage.

One of the things that the 2014 farm bill did do was to convert the cotton base on a farm to Generic Base. If a farm has Generic Base, acres planted to covered commodities on that farm can be "assigned" to the Generic Base for that year and become temporary base acres of that covered commodity in addition to the permanent base of covered commodities on that farm. So, this gave value to the cotton base on a farm and acres planted and earning temporary base are eligible for any ARC or PLC payment—but this did nothing for cotton specifically.

The current farm bill is now in its 4th year and will expire with the 2018 crop year unless extended. Over the past several years, cotton's unfavorable policy position has been at the forefront and industry leadership has sought ways to improve the income safety net for cotton producers. Policy options have included interim measures to bridge the gap until a new farm bill is in place and also efforts to get cotton back in Title I of the next farm bill.

A major industry emphasis has been including and designating cottonseed as an "Other Oilseed" within Title I of the current farm bill and thus making it eligible for PLC. Such an attempt was unsuccessful last year when then Secretary of Agriculture Tom Vilsack concluded that he lacked authority to make such a designation under the 2014 farm bill and that other provisions of the farm bill also made such a designation unworkable.

An industry, legislative, and administrative effort that has provided some relief was the Cotton Ginning Cost Share Program (CGCS). A 1-time lump sum payment was made to producers in 2016 based on 2015 cotton acres planted as reported to FSA. This payment was equal to an estimated 40% of the average cost of ginning by region. The payment to Georgia producers was $47.44 per acre and subject to a limit of $40,000 per person or legal entity. This payment was not subject to a budget sequestration reduction.

Cotton leadership has continued to push both the cottonseed proposal and additional years of the CGCS Program. I believe these attempts have been aimed at searching for ways to get a cottonseed deal done and get cotton producers some help now rather than risk that in a new farm bill which is still 2 years down the road.

In May, however, efforts to get a cottonseed policy included in the FY17 Omnibus spending bill fell short and cottonseed was not included. That bill did, however, direct USDA to within 60 days come up with solutions to help cotton producers.

Recent developments have been more positive and encouraging. On July 12th, the House Appropriations Committee approved its FY18 Ag Appropriations bill which included language encouraging USDA to provide for a cottonseed program and/or operate the CGCS Program for 2016 and future years. On July 20th, the Senate Appropriations Committee approved its FY18 Ag Appropriations bill that also included language supporting a cottonseed policy beginning with the 2018 crop.

On July 18th, 2 bipartisan Congressional letters from the House (109 members signed) and the Senate (26 members signed) were sent to President Trump requesting his Administration use the authority and through USDA to reinstate the CGCS Program for the 2016 crop and to continue it in an on-going basis for the 2017 and 2018 crops until a new farm bill is in place. On July 17th, a letter was sent to President Trump signed by over 1,600 lenders, agribusinesses, and rural businesses urging him to support the CGCS Program.

No legislation has been enacted at this time nor any decision made by the Administration yet. These industry and Congressional efforts are ongoing. The CGCS Program is seen as providing an important "bridge" to help cotton producers, their families, and rural communities until the cotton policy situation can be addressed in a longer term manner within the next farm bill. A cottonseed policy is seen as a possible way to get cotton back into Title I under the current farm bill, improve the safety net for the cotton enterprise, and strengthen cotton's position and support going into the next farm bill.

Discussion surrounding a cottonseed policy, and cotton in general, and the benefits of a cottonseed policy will depend on many things including:

- Assuming any cottonseed payments would be made on 85% or some portion of Base Acres, how would cottonseed base acres be determined from Generic Base?

- Would, and if how, will the establishment of cotton/cottonseed base impact the acreage of other crop bases on a farm?

- How would a cottonseed PLC Payment be determined—how would a Reference Price, Payment Yield, and the Payment Rate be determined?

- For Georgia especially, because peanuts are so valuable under the current farm bill, what are the implications of losing Generic Base (or swapping GB for cottonseed base) and will there be any change in the Reference Price for peanuts?

- Ultimately, what will be the implications of a cottonseed policy for the remainder of this farm bill on cotton/cottonseed and other bases in the next farm bill?

In summary, having cottonseed designated as an "Other Oilseed" and the Cotton Ginning Cost Share Program (CGCS) are seen as ways to improve cotton's safety net under the current farm bill which expires effective with the 2018 crop year. There are also efforts to get cotton (lint) included in the next farm bill but specifics on what that program would look like are still being worked out. Cotton industry leadership will continue to pursue the best policy to provide growers with adequate protection that is consistent with the needs of the industry while taking into account the full value of the cotton crop—which produces both fiber and seed.

There has been mention that debate for the next farm bill could include planted acres vs base acres. This is because in some instances there is quite a difference between acres planted and base acres of that crop on a farm. In the 2014 farm bill, landowners made a 1-time election to "retain or reallocate" the bases of covered commodities on a farm. Cotton base was retained as is and became Generic Base.

While it may seem illogical to define the safety net and make related payments on base acres rather than acres actually planted, historically this has been done because (1) there are restrictions within WTO regarding payments having an impact on production and (2) making payments on base acres is much more predictable and manageable from a budget standpoint.

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