

U.S. and International Cotton Policy

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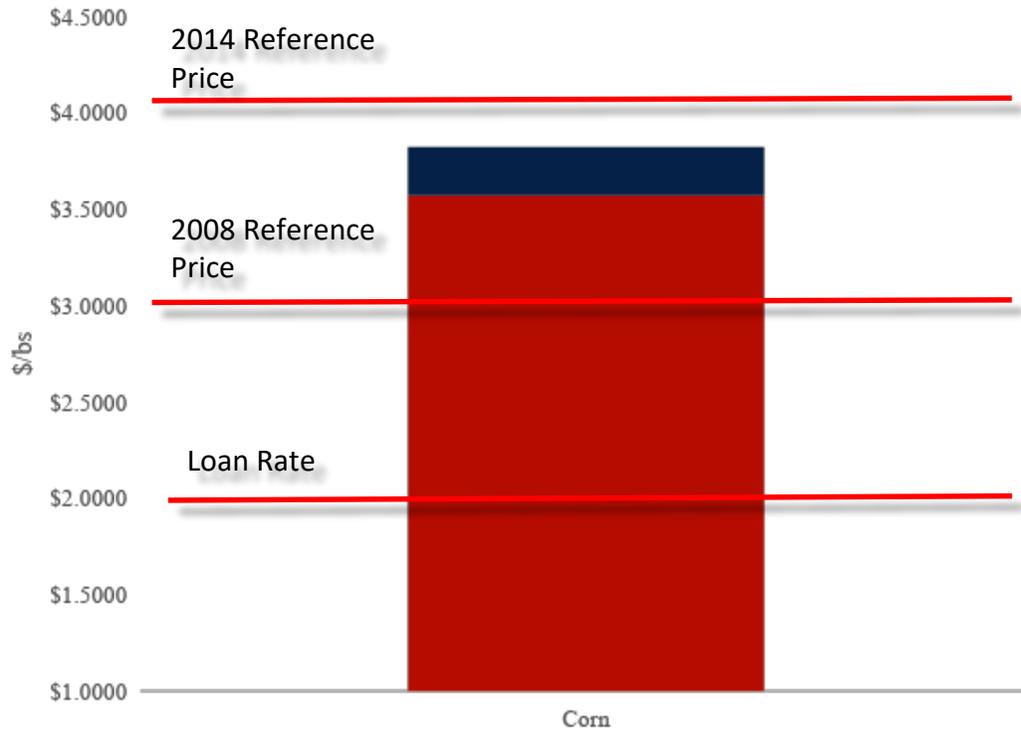


- **Bi-partisan budget bill moved cotton back into Title I programs**
 - This outcome is as important for future farm bills as it is for the current programs for cotton
 - Will cause a quick decision by farmers to participate in the upcoming crop year
- **Support levels globally have changed dramatically over time**
 - Aggregate Measure of Support (AMS) data show shifts and location and substantial increases over time in support for cotton

A Little Perspective



Corn



Cotton



Note: 2016 is based on estimates for ARC/PLC for corn through May 7, 2017. As of May 7, 2016, there were no MLGs or LDPs for cotton. Reference price for cotton is the 2008 farm bill reference price for comparison purposes.



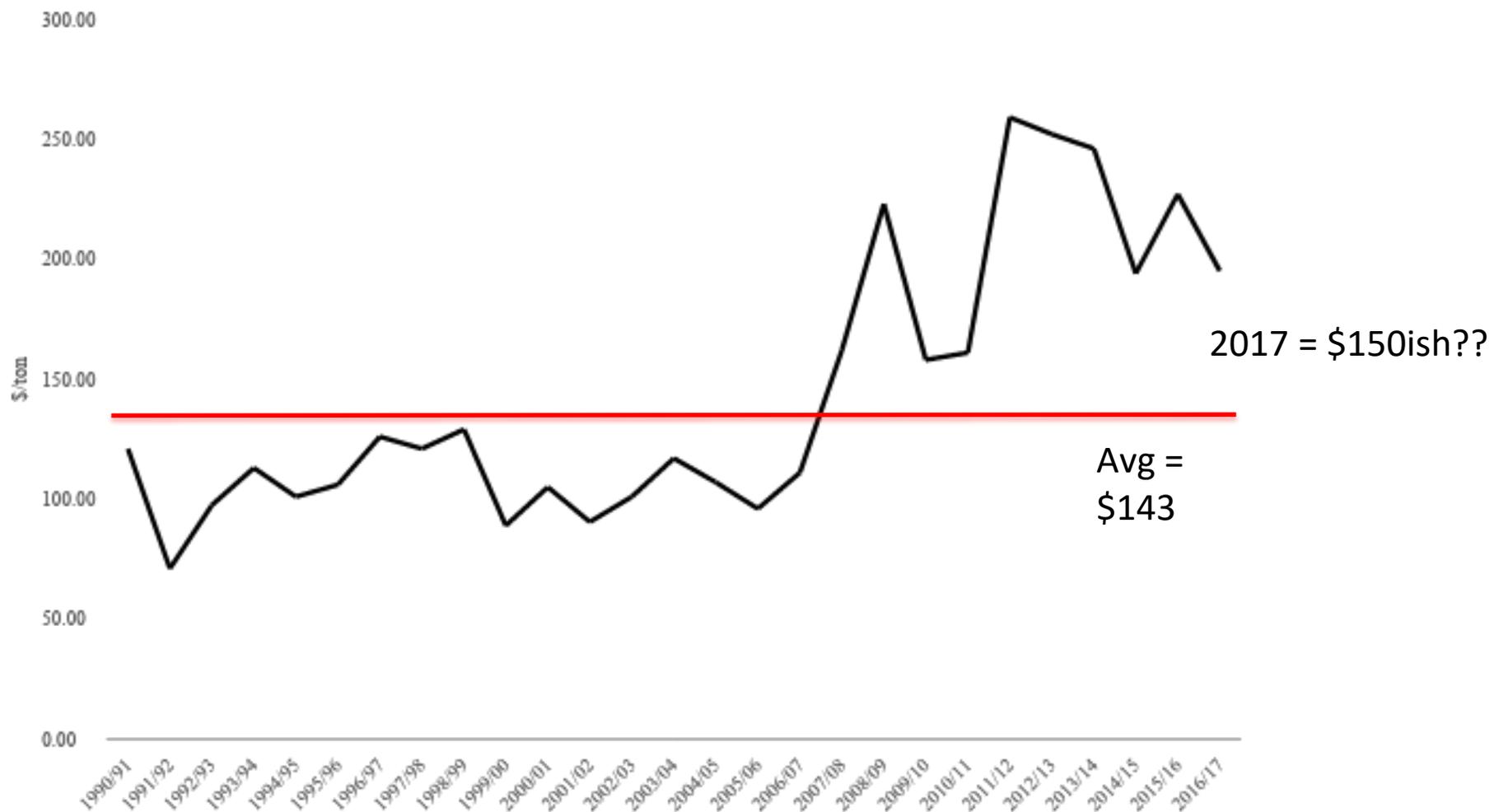
- In 2014
 - Cotton left out of Title 1 (STAX added to insurance)
 - Other covered commodities received substantial increases in safety net level triggers
 - "Generic Base" added flexibility to planting decisions for farmers that had cotton base to participate in other program payments



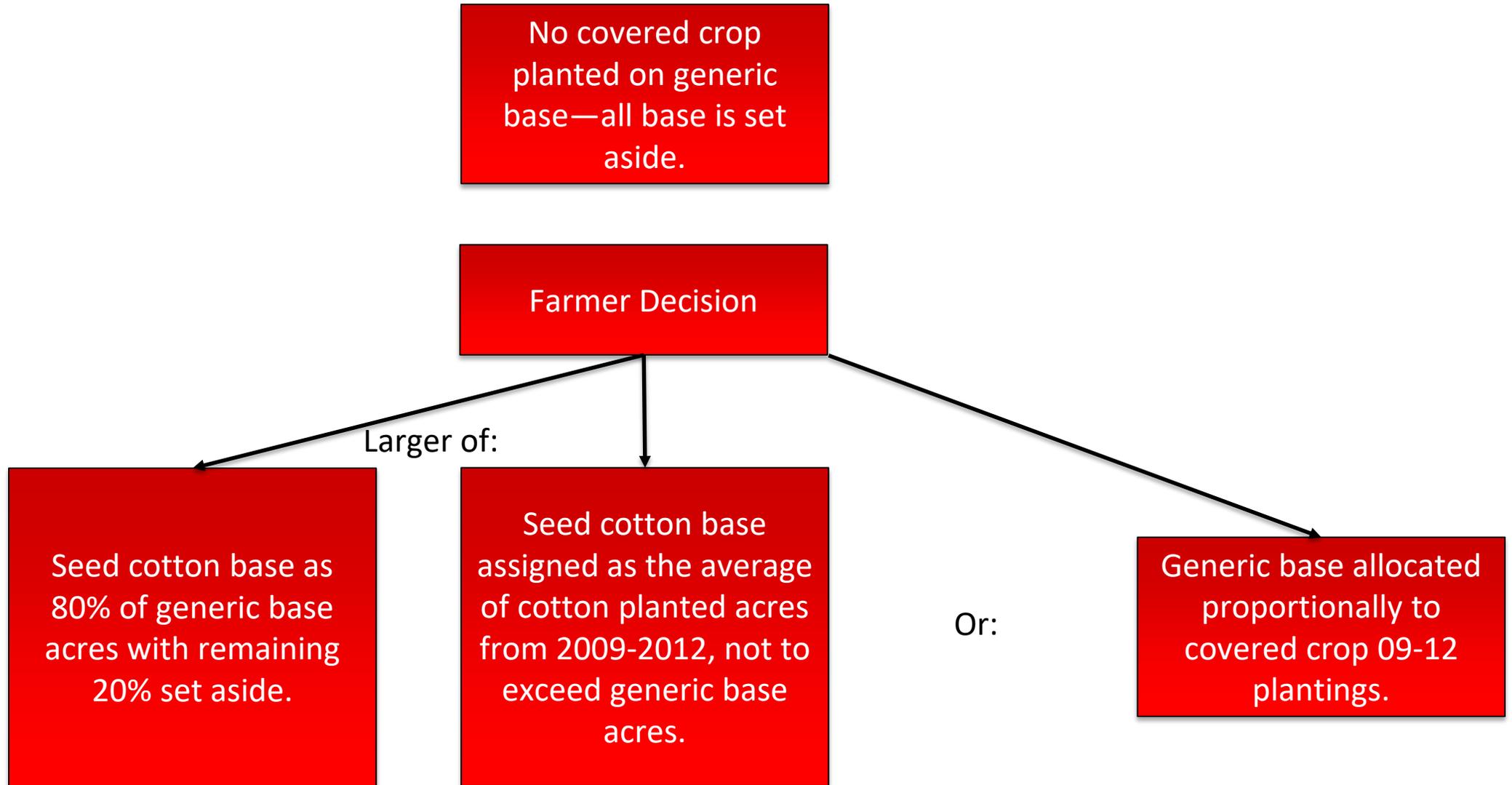
- Cotton now allowed to participate in Title I program (PLC) on a seed cotton basis (subsumes lint and cotton seed into one program)
- Forces a reallocation of “generic base” acres
- Establishes payment rates and yields
- After 2018, if a producer participates in the SC PLC program, they forgo STAX participation (a ”pay for”)



Why Care About Seed Prices?



Source: USDA, NASS





If the SC MYA price is less than 36.7 cents,
SC PLC Payment Rate = 36.7 – (higher of MYA price or 25 cents)

If the SC MYA price is greater than 36.7 cents.
SC PLC Payment Rate = 0

Upland cotton production (lbs) = million bales x 480 lbs per bale

All cottonseed production (lbs) = million tons x 2,000

Total Pounds = upland cotton (lbs) + total cottonseed (lbs)

Seed cotton (SC) MYA Price = (upland cotton lbs/Total lbs) x upland cotton MYA price
+
(cottonseed lbs/Total Lbs) x cottonseed MYA price

Seed Cotton Price and Payments



Calculation of Seedcotton (SC) Weighted Average Market Year Average Price What It Would Have Been for 2008-2017										
Crop	Upland Cotton			All Cottonseed				Total Lbs ⁴	SC Price ⁵	
	Price ¹	Bales ²	Lbs ³	Price ¹	Tons ²	Lbs ³				
2008	47.8	12.395	5,950	223	11.15	4,300	8,601	14,550	26.136	
2009	62.9	11.783	5,656	158	7.90	4,149	8,298	13,953	30.194	
2010	81.5	17.578	8,437	161	8.05	6,096	12,192	20,630	38.091	
2011	88.3	14.722	7,067	260	13.00	5,370	10,740	17,807	42.883	
2012	72.5	16.534	7,936	252	12.60	5,666	11,332	19,268	37.272	
2013	77.9	12.275	5,892	246	12.30	4,203	8,406	14,298	39.333	
2014	61.3	15.753	7,561	194	9.70	5,125	10,250	17,811	31.606	
2015	61.2	12.455	5,978	227	11.35	4,043	8,086	14,064	32.540	
2016	68.0	16.601	7,968	195	9.75	5,369	10,738	18,706	34.563	
2017	70.0	20.570	9,874	140	7.00	6,725	13,450	23,324	33.670	

SOURCES: USDA-NASS *Crop Production* and *Agricultural Prices* and USDA *World Agricultural Supply and Demand Estimates* .

1/ Upland cotton marketing year average (MYA), cents per lb; cottonseed is MYA dollars per ton and cents per lb. 2017 are estimates.

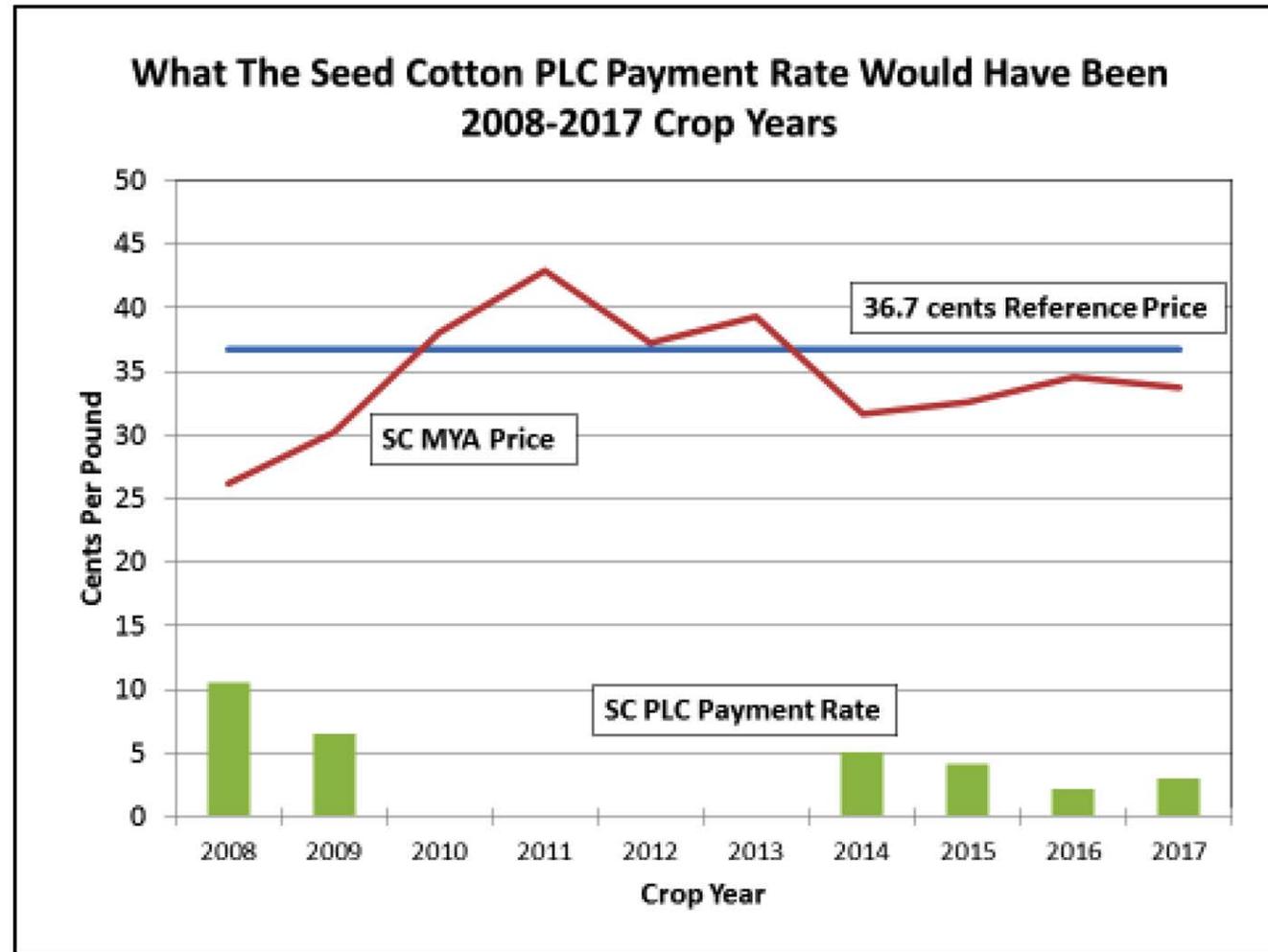
2/ Cotton is upland cotton, million 480-lb bales; cottonseed is million tons. 2017 is projected.

3/ Million lbs

4/ Million lbs, cotton plus cottonseed

5/ Seed cotton weighted MYA price; (cotton lbs/total lbs) x cotton price + (cotton seed lbs/total lbs) x cottonseed price

Thanks to Don Shurley, UGA, for the example calculations.



So, the projected payment for 2017 would be 3.03 cents per pound. But that is being paid on nearly 2x the pounds...

Figure from Shurley and Rabinowitz.

Seed Cotton Payment Rates



Estimated Seedcotton (SC) PLC Payment Rate Per Lb Per Acre of SC Base, Cents Per Lb ¹											
Cotton Cents/Lb	Cottonseed (\$/Ton)										
	140	150	160	170	180	190	200	210	220	230	240
55	7.92	7.67	7.43	7.18	6.94	6.69	6.45	6.21	5.96	5.72	5.47
56	7.56	7.31	7.07	6.82	6.58	6.33	6.09	5.84	5.60	5.36	5.11
57	7.20	6.95	6.71	6.46	6.22	5.97	5.73	5.48	5.24	4.99	4.75
58	6.83	6.59	6.35	6.10	5.86	5.61	5.37	5.12	4.88	4.63	4.39
59	6.47	6.23	5.98	5.74	5.50	5.25	5.01	4.76	4.52	4.27	4.03
60	6.11	5.87	5.62	5.38	5.13	4.89	4.65	4.40	4.16	3.91	3.67
61	5.75	5.51	5.26	5.02	4.77	4.53	4.28	4.04	3.80	3.55	3.31
62	5.39	5.15	4.90	4.66	4.41	4.17	3.92	3.68	3.43	3.19	2.95
63	5.03	4.78	4.54	4.30	4.05	3.81	3.56	3.32	3.07	2.83	2.58
64	4.67	4.42	4.18	3.93	3.69	3.45	3.20	2.96	2.71	2.47	2.22
65	4.31	4.06	3.82	3.57	3.33	3.08	2.84	2.60	2.35	2.11	1.86
66	3.95	3.70	3.46	3.21	2.97	2.72	2.48	2.23	1.99	1.75	1.50
67	3.59	3.34	3.10	2.85	2.61	2.36	2.12	1.87	1.63	1.38	1.14
68	3.22	2.98	2.74	2.49	2.25	2.00	1.76	1.51	1.27	1.02	0.78
69	2.86	2.62	2.37	2.13	1.89	1.64	1.40	1.15	0.91	0.66	0.42
70	2.50	2.26	2.01	1.77	1.52	1.28	1.04	0.79	0.55	0.30	0.06
71	2.14	1.90	1.65	1.41	1.16	0.92	0.67	0.43	0.19	0.00	0.00
72	1.78	1.54	1.29	1.05	0.80	0.56	0.31	0.07	0.00	0.00	0.00
73	1.42	1.17	0.93	0.69	0.44	0.20	0.00	0.00	0.00	0.00	0.00
74	1.06	0.81	0.57	0.32	0.08	0.00	0.00	0.00	0.00	0.00	0.00
75	0.70	0.45	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
76	0.34	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

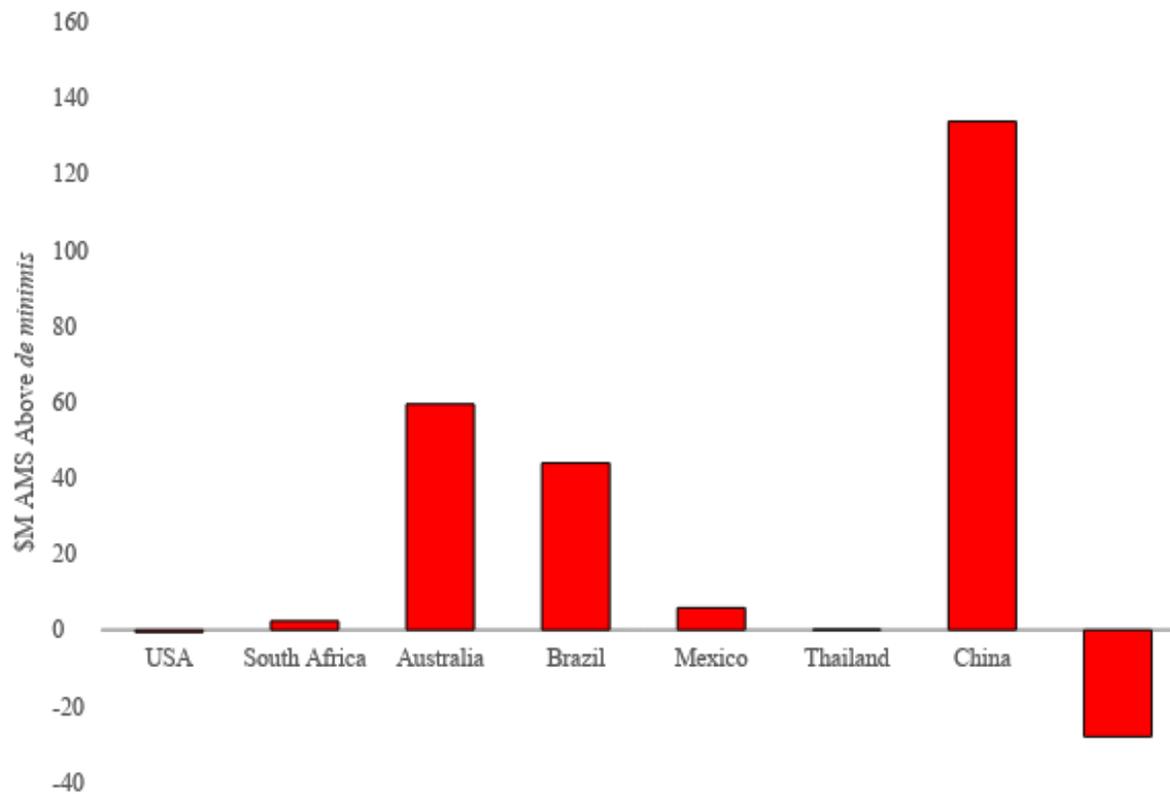
From Shurley and Rabinowitz.



INTERNATIONAL SUBSIDIES

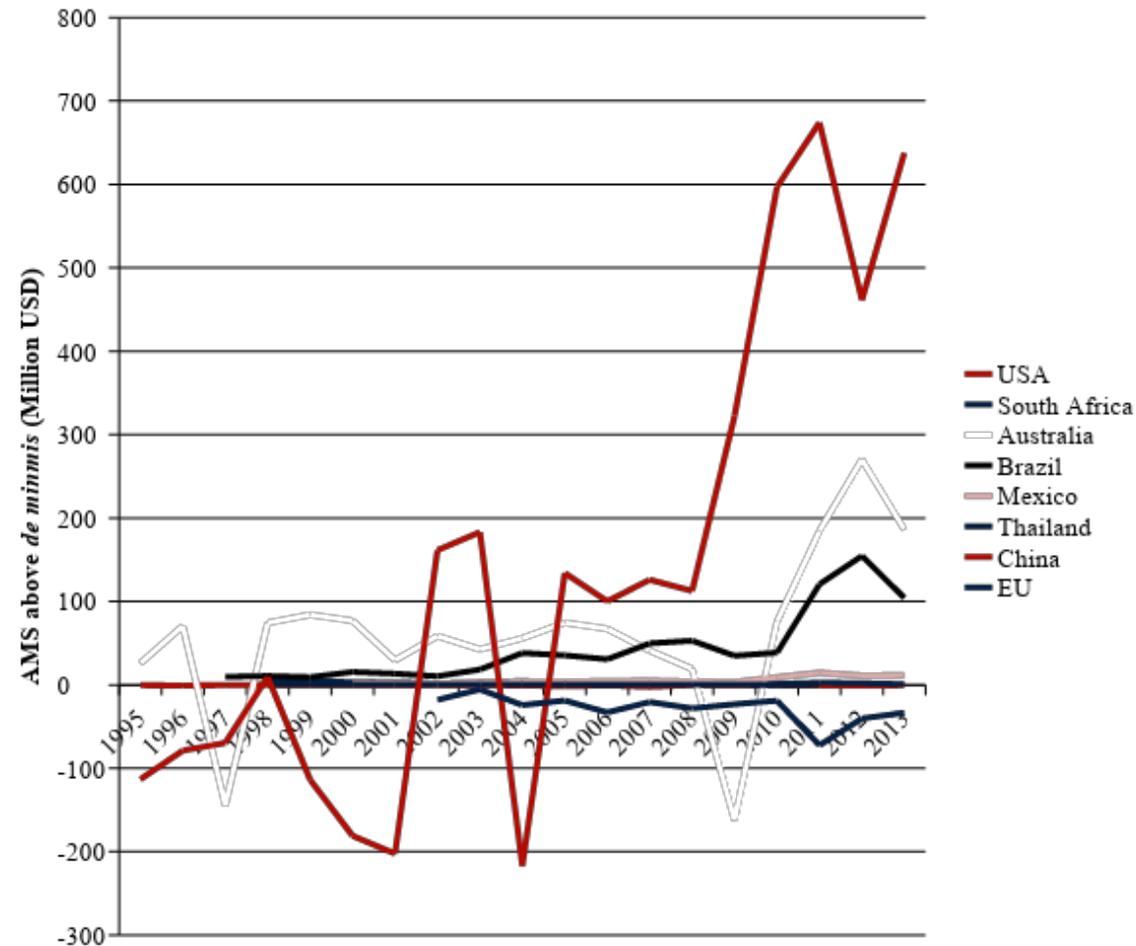


Average AMS Above *de minimis* for Cotton, 1995-2013



Source: White et al.; IHS Markit for external reference prices and FAO and USDA for internal prices.

Annual AMS above *de minimis*, 1995-2013



Source: White et al. Note, China prior to 2001 is simply estimated for visual purposes holding the variables in their accession agreement constant from 1995-2001.



Thank You and Questions!!!

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