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Stronger Risk Management Sought in 2012 Farm Law

WASHINGTON, D.C. – The National Cotton Council looks forward to working with the House Agriculture Committee on development of a 2012 farm bill that effectively meets U.S. cotton producers’ risk management needs.

NCC Chairman Chuck Coley, in testimony before that Committee’s General Farm Commodities & Risk Management Subcommittee here today, emphasized that even with budget constraints and trade concerns, it is critically important that new farm law provide certainty to those involved in production agriculture because “they make long-term investment decisions based in part on federal farm policy.”

The Georgia cotton producer testified that the U.S. cotton industry faces the unique challenge of resolving the World Trade Organization (WTO) dispute with Brazil.

“In developing new farm legislation, the U.S. cotton industry pledges to work with Congress and the Administration to resolve the Brazil WTO case and remove the imminent threat of retaliation against exports of U.S. goods and services,” he stated.

Coley told the panel that in light of budget constraints and trade considerations, the U.S. cotton industry recommends a revenue-based crop insurance program available for voluntary purchase -- which will strengthen growers’ ability to manage risk. By complementing existing products, the program would provide a tool for growers to manage that portion of their risks for which affordable options are not currently available. He added that the revenue-based crop insurance safety net would be complemented by a modified marketing loan that is adjusted to satisfy the Brazil WTO case.

“This structure will best utilize reduced budget resources, respond to public criticism by directing benefits to growers who suffer losses resulting from factors beyond their control, and build on the existing crop insurance program, thus ensuring no duplication of coverage and allowing for program simplification,” he stated. “The revisions will provide confidence to lenders and ensure market-oriented production decisions that ultimately serve the long-term financial health of merchandizers, processors, related businesses and rural economies.”

Coley urged the Committee to include – beginning with the 2013 crop – the NCC’s Stacked Income Protection Plan (STAX) in new farm law. He said the program will be administered in a manner
consistent with current crop insurance delivery systems and is designed to complement existing crop insurance products.

“While this proposal does not change any features of existing insurance products, the STAX product is explicitly structured so as to avoid duplication of other insurance coverage,” he said.

Regarding other insurance features, Coley said U.S. cotton strongly supports the continuation of the successful enterprise unit pricing that was introduced in 2008 farm legislation and urges Congress to provide for the availability of enterprise unit pricing for growers who separate their farms by irrigated and non-irrigated practices. He said the industry also supports crop insurance products that allow growers to insure the deductible of their underlying buy-up policy.

Coley said moving upland cotton’s support into an insurance program is consistent with the determination of the WTO panel in the U.S.-Brazil WTO case -- that found no trade distortion or price suppression related to insurance programs. He said the NCC believes the combination of STAX and the modified marketing loan significantly reduces U.S. trade-distorting support for upland cotton.

As part of the 2012 farm bill, the NCC would oppose any further restrictions on payment eligibility, including lower limits or income means tests. Coley said the 2008 farm law included the most comprehensive and far-reaching reform to payment limitations in 20 years. The limitations were made more restrictive, and the adjusted gross income test was substantially tightened.

“Likewise, we have serious concerns with any efforts to change the requirements that determine whether an individual is considered to be actively engaged in the farming operation,” Coley said. “Arbitrary restrictions on the contribution of management and labor are out of touch with today’s agricultural operations and would only contribute to inefficiencies.”

The NCC also supports the continuation of the Economic Adjustment Assistance Program (EEAP) for domestic textile manufacturers. Coley said the EEAP, authorized in the 2008 farm bill, has revitalized the U.S. textile manufacturing sector and added jobs to the U.S. economy.

Coley also called for retention of the extra-long staple competitiveness program and ongoing support of two vital export promotion programs -- the Market Access Program and Foreign Market Development Program.

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