# National Cotton Council 2012 Farm Policy Statement

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Contact: T. Cotton Nelson or Marjory Walker
(901) 274-9030

The National Cotton Council believes that sound farm policy is essential to the economic viability of the cotton industry. The combination of the marketing loan, Direct Payments (DP) and Counter-cyclical Payments (CCP), as structured in the 2008 Farm Bill, has served the cotton industry extraordinarily well and, in recent years, has required minimal federal outlays.

However, it is clear that future deficit reduction efforts will place unprecedented pressure on the existing structure. The Budget Control Act reinforces the severe funding constraints facing not only U.S. cotton, but all of agriculture. Deficit reduction will lower the baseline funds available to upland cotton, and simply downsizing the current program structure would likely undermine the effectiveness of the programs to the extent that alternatives must be evaluated to ensure growers have access to the most effective safety net.

The cotton industry faces another unique challenge. As part of developing new farm legislation, the U.S. cotton industry must work with Congress and the Administration to resolve the longstanding Brazil WTO case and remove the threat of imminent retaliation against exports of U.S. goods, services and intellectual property.

In order to respond to the challenge of designing the most effective safety net with reduced funding, and to make modifications that will lead to the resolution of the Brazil case, the industry recommends an adjustment to the current program, which will result in strengthening growers' ability to manage risk by making an affordable revenue-based crop insurance program available for purchase. By making modest enhancements to existing products, the program would provide an effective tool for growers to manage that portion of their risks for which affordable options are not currently available.

The revenue-based crop insurance safety net would be complemented by a modified marketing loan that is adjusted to satisfy the Brazil WTO case. In the opinion of the U.S. cotton industry, 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 existing crop insurance program, thus ensuring there is no duplication and offering the potential for program simplification.

The industry also believes 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.