

National Cotton Council Update

California Cotton Ginners & Growers Association

May 12, 2021



Producers

Cooperatives

Ginners

Cottonseed

Merchants

Warehouses

Manufacturers

Ongoing COVID Relief

- \$20/acre CFAP 2 payment on 2020 planted acres
 - Upland and ELS cotton
 - Payments have been disbursed (\$218 M for cotton)
 - AMS Collecting Pricing Information from Growers on ELS
- Extension of Marketing Assistance Loan terms to 12 months through Sept. `21
- USDA CFAP 2 Adjustments
 - For crops including upland cotton, if producer/farm had no 2020 APH to calculate 2020 payment, use 100% of 2019 ARC –County yield instead of previous 85%
- Textile Mill Assistance
 - 6 cents/pound for 10 months of cotton consumption based on 2017 to 2019 average monthly consumption ~ \$80 M
 - Sign-up/payments underway
- Merchandiser/Marketer Assistance
 - Congressional and industry outreach/requests to USDA as ongoing COVID relief programs being developed with existing funds

Agriculture and Climate Policy

- USDA Request for Information on Biden Climate Executive Order
 - ACP Climate Policy Working Group submitted input on climate policies and actions USDA is considering in context of existing conservation programs, research needs, and possible new programs USDA may initiate.

Include Early Adopters

Climate Outcomes a Priority in Existing Programs

Not Subtract from Farm Safety Net and Existing Conservation Programs

Encourage Grower Participation Through All Regions

Must be Voluntary and Not Tied to Farm Program Eligibility

Compatibility with U.S. Cotton Trust Protocol

Agriculture and Climate Policy

– 30 x 30 Initiative (“America The Beautiful”)

Conserve at 30 percent of US land and water by 2030.

Support voluntary conservation efforts and provide new sources of income for farmers.

Highlights Working for Wildlife Initiative and CRP

2023 Farm Bill Reauthorization (Improve effectiveness of conservation programs)

U.S. Fish & Wildlife Species Credit Trading

Urges NOAA to target efforts to halt decline in wildlife populations.

Stabenow and Vilsack have called for increased funding in CCC to support climate goals.

Agriculture and Climate Policy

- Senate Ag. Committee approved Growing Climate Solutions Act – bill would direct USDA to:
 - Establish a verification and measurement standard for use in determining carbon sequestration/emissions for purposes of carbon markets;
 - Allow USDA to certify 3rd party entities such as carbon markets
 - Establish a grower advisory group to provide input to USDA
- Agriculture Committees may be directed to provide agricultural climate policies for inclusion in broader infrastructure package that Biden and Congressional Democrats plan to consider

WHIP+ Disaster Assistance

WHIP+ ('18 and '19):

- All applications finalized and approved by April 16

WHIP+ Quality Loss Assistance (QLA):

- Sign-up ended April 9
- Producers on register to complete applications and submit all documentation by April 30
- County Committees/CEDs to complete reviews by May 14

Continue push for WHIP+ coverage for 2020 losses and additional funding

- **\$1.6 B** in production and quality losses in cotton
- **4.1 M** bales lost due to drought and hurricanes
- Need for quality loss assistance



FY `22 Appropriations Priorities

- \$15.8 M for Boll Weevil Eradication Program
- APHIS and ARS funding to control exotic pests
 - Cotton seed bug (CA)-\$ 2 million
 - \$ 2 million in new funds APHIS for invasive cotton pests
- Maintain ARS funding for cotton gin labs
- ARS Cotton Genetics and Germplasm
 - Increased facility and research funds
- Continued funding for ARS research
 - CLRDV (Cotton Blue Disease)
 - Whitefly Control



United States Department of Agriculture
Agricultural Research Service

Tax Concerns for Agriculture

- 2017 tax legislation doubled estate tax exemption – \$11.7 million for 2021; indexed for inflation through 2025; maintained stepped-up basis
 - In 2026 the estate tax reverts to \$5.6 million
- Biden Administration proposed elimination of stepped-up basis after \$1 million exemption per person
 - Defers tax for farms and family businesses if property remains in operation/not sold
 - Allows step up in basis on first \$1 million in gains per person
- 1031 exchanges limited to \$500,000 in gains
- NCC is member of the Family Business Council, Family Business Estate Tax Coalition (FBETC) and Tax Aggies (a coalition focused solely on tax policy as it relates to agriculture)
 - Goal to protect the estate tax, stepped-up basis, 1031s
 - FBETC commissioned Ernst & Young to conduct study on how paying both capital gains and estate taxes affects family-owned businesses

China Issues

- U.S. cotton exports
 - Increasing under Phase One agreement
 - Biden Adm. reviewing Phase One and intends to keep in place through 2021
- Import restrictions on China due to forced labor concerns
 - Withhold/Release Order (WRO) on all cotton/cotton products from Xinjiang
 - WROs issued on specific companies and Xinjiang Production and Construction Corps (XPCC)
- Bill to ban all products from Xinjiang (H.R. 6210)
 - Passed House overwhelmingly (116th Congress)
 - Senate and House bills re-introduced and likely passage this Congress

Regulatory Issues

- Navigable Waters Protection Rule (NWPR)
 - Replacement for WOTUS – NWPR is currently law of the land
 - Court cases stayed while rule is under review; EPA expected to make changes
 - Initial indications are specific revisions and not wholesale replacement
 - Any changes are expected to grant more Federal authority over waters of the U.S.
- Pesticides
 - Lawsuits continuing on sulfoxaflor, dicamba and other active ingredients
 - Organophosphates (OPs), pyrethroids, neonicotinoids all threatened
- Chlorpyrifos
 - Specifically mentioned for special review in first Biden Executive Orders
 - Lawsuits and Congressional action also pending
 - 9th Circuit has mandated withdrawal or label modification

United States
Department of
Agriculture

Animal and Plant
Health Inspection
Service

April 23, 2021

Technical Bulletin- *Oxycarenus* *hyalinipennis* (Costa) (Hemiptera: Oxycarenidae) Cotton seed bug



Cotton seed bug, *O. hyalinipennis* (image courtesy of Julieta Brambila, USDA-APHIS-PPQ)



Cotton Seed Bug

- Short Term Actions
 - No funding available for FY 2021 for within APHIS or ARS
 - California Pest Control Board to distribute funding to California Department for Food & Agriculture for field monitoring
- Pheromone
 - \$120,000 annually needed for minimum of two years.
 - Working on funds raised through industry support Cotton Foundation, CI, NCC, etc.,
 - FY 2022
 - Cotton seed bug (CA)-\$ 2 million
 - \$ 2 million in new funds APHIS for invasive cotton pests

PRODUCER ENROLLMENT

- 2019 Pilot- 300 Producers Registered/Enrolled
150 Producers Completed Self-Assessment
- 2020 Season 1 – 662 Producers
Registered/Enrolled-269 Producers Completed
- 663K Cotton Acres Enrolled
- Projection of 1-1.3MM Bales Uploaded

VERIFICATION PROCESS

Farmer Group	Participating Producers	Number Selected For Desktop Audit
Southeast	86	22
Midsouth	75	19
Southwest	110	28
West	25	6
Total	296	74

MEMBERSHIP TOTALS

- 31 Merchants/Cooperatives
- 283 Mills/Manufacturers (Not Including Subsidiaries)
- 30 Brands/Retailers

Thank You

Questions



Producers Cooperatives

Ginners Cottonseed Merchants

Warehouses Manufacturers