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President's Budget Undermines Confidence in Farm Policy

MEMPHIS – The National Cotton Council said today that the proposed program changes included in President Obama's FY10 budget for USDA fail to recognize the work recently completed by Congress on the Food, Conservation, and Energy Act of 2008.

The NCC emphasized that after a lengthy and arduous debate, the current farm law, which is still being implemented, introduced significant commodity program changes while maintaining an important safety net for production agriculture, and enhanced conservation and nutrition programs.

"The commodity title of the 2008 law was crafted under pay-as-you-go rules, and took two years of intense debate to complete," said NCC Chairman Jay Hardwick, a Newellton, LA, cotton producer. "The law includes more restrictive means tests based on adjusted gross income, changes in program eligibility, and new payment limit provisions that are just now being implemented by USDA. The eventual full impact on U.S. producers is not yet known."

The Act includes a new provision directing the Secretary of Agriculture to cover a portion of upland cotton Commodity Credit Corporation (CCC) loan storage costs during periods of low prices. The new provision simply legislates at a reduced rate an administrative practice that USDA has undertaken for several years. The cost of the new provision was fully offset by modifications to the upland cotton counter-cyclical target price.

"Additionally, the proposal to eliminate upland cotton storage credits ignores crucial differences between commodities," Hardwick said. "Unlike other commodities, baled cotton lint is an identity-preserved product that requires off-farm storage in CCC approved facilities. Further, CCC loan eligibility for upland cotton is dependent upon compliance with a substantial array of regulations governing quality, bale wrapping, and packaging."

Hardwick emphasized that the Administration's call to reduce direct payments to producers is extremely troubling. He said direct payments are compliant with efforts by the World Trade Organization to move agricultural support away from trade distorting programs.

“The President's proposed limit penalizes the farms that are responsible for the majority of food, feed, and fiber production in the United States,” Hardwick said. “According to the 2007 Census of Agriculture, farms with sales of \$500,000 or more accounted for almost three-fourths of all agricultural products sold. It is important to point out that sales above \$500,000 do not equate to a measure of profitability. Today's farms bear extraordinary short-term and long-term expenses. Given the current uncertainty in credit markets, the direct payments are critical to a producer’s ability to secure financing.”

The NCC also noted that the proposal to reduce spending under the Market Access Program (MAP) is confounding.

“This program (MAP) is an excellent example of the private-public joint effort to expand markets for U.S. producers,” Hardwick stated. “Agricultural cooperators must first raise industry seed money to support export promotion efforts and develop an aggressive program before achieving approval from USDA for funding.”

The NCC today also expressed its appreciation of the strong support given the current farm law by Colin Peterson (D-MN), chairman of the House Agriculture Committee, and Frank Lucas (R-OK) that committee’s ranking member, in response to this budget proposal.

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