



GEORGIA COTTON COMMISSION

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BACKGROUND: Proposed Termination of Cotton Storage Credits

The Administration's 2010 budget request contains budget cut amendments, in the amount of \$16 billion to the farm law in the FY-10 appropriations measure. Many of the proposed farm program cuts will directly effect cotton producers by adversely effecting the competitiveness of the US cotton industry when it is most vulnerable. The policy changes needed to implement the Administration's budget proposal would require reopening the 2008, Farm Bill, undermining farmers' confidence in consistent, predictable programs. In fact, a number of the proposals contained in the budget submission were previously considered and rejected by Congress.

Of specific concern to the US cotton industry are the recommendations to terminate cotton storage credits. The 2008 law contains provisions designed to improve the flow of cotton and to ensure the US cotton is marketed competitively. The bill already provides for steady reductions in cotton storage credits over the life of the law. Cotton is a unique bulk commodity in that it must be stored in approved warehouses, and packaged using approved materials. Thus, cotton storage costs are substantial and can greatly weaken the competitiveness of US cotton if storage credits are terminated. Cotton storage credits are necessary to promote orderly marketing and discourage cotton forfeitures in years when prices are low, which are the only times storage credits are provided.

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