

November 14, 2018

Honorable Pat Roberts
Chairman
Committee on Agriculture, Nutrition, and Forestry
U.S. Senate
Washington, DC 20510

Honorable Mike Conaway
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Honorable Debbie Stabenow
Ranking Member
Committee on Agriculture, Nutrition, and Forestry
U.S. Senate
Washington, DC 20510

Honorable Collin Peterson
Ranking Member
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Honorable John Hoeven
Chairman
Subcommittee on Agriculture Appropriations
U.S. Senate
Washington, DC 20510

Honorable Robert Aderholt
Chairman
Subcommittee on Agriculture Appropriations
U.S. House of Representatives
Washington, DC 20515

Honorable Jeff Merkley
Ranking Member
Subcommittee on Agriculture Appropriations
U.S. Senate
Washington, DC 20510

Honorable Sanford Bishop
Ranking Member
Subcommittee on Agriculture Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

As you know, much of the cotton production and industry infrastructure in the southeast region of the United States was severely damaged by hurricanes this fall. In September, Hurricane Florence moved through major cotton producing areas of North Carolina and South Carolina, causing widespread flooding that resulted in significant losses in cotton production as well as many other crop and livestock commodities. In October, Hurricane Michael moved across the Florida panhandle, the southeast corner of Alabama, and much of Southwest Georgia, including the top cotton producing counties in the state, before moving into the Carolinas. The hurricane caused massive cotton production losses and infrastructure damage throughout the tri-state region of Alabama, Florida, and Georgia.

Taking into consideration current estimates from state extension service officials and departments of agriculture, the losses in cotton and cottonseed production across the five-state region are approximately \$800 to \$900 million. The degree of loss varies by area and ranges from 10% to 100% loss. While most severe at the farm level, the losses to cotton extend beyond the farm gate to the gins, warehouses, cottonseed, and marketing segments of the industry as all these businesses rely on sufficient cotton lint and cottonseed production volume to remain viable.

In response to the losses at the farm level, we strongly urge Congress to appropriate sufficient funding to allow USDA to operate the Wildfires and Hurricanes Indemnity Program (WHIP) for hurricane losses in counties with a disaster declaration for 2018. In addition to the funding necessary for WHIP in 2018, our

industry has developed recommendations for legislative adjustments to WHIP that will improve its effectiveness and responsiveness to these losses. These legislative modifications include:

- Deduct net indemnities of crop insurance rather than gross indemnities from the WHIP calculation;
- Use the higher of the projected price or harvest price from crop insurance revenue policies for WHIP expected crop value and actual crop value, regardless of type of underlying insurance policy or CAT coverage;
- Increase the WHIP factors by 2.5 to 5 percentage points for each coverage level and establish the highest WHIP factor for insurance coverage levels of 90%;
- Increase the APH insurance yield used for calculating expected crop value by 15% to account for above average cotton yields prior to the hurricanes.

A more detailed explanation of these changes and justifications are attached.

Another key concern for producers and their lenders is the timeliness of the assistance delivered by WHIP. Given the severity of the losses, many producers will not be able to secure production financing for the 2019 crop unless their lender has certainty that additional support will be delivered by WHIP. Crop insurance coverage alone is not designed to provide the necessary relief in natural disaster situations of this severity. Another key concern with timing is STAX crop insurance indemnities for cotton that are not calculated until July/August of the year following harvest due to the availability of final county average yields. This delay due to county yield data will also impact any Supplemental Coverage Option (SCO) and Area Risk Protection Insurance (ARPI) area-based crop insurance policies for cotton and other crops. Due to the necessity of providing timely relief, we recommend that the WHIP calculations be done with the assumption that any potential STAX, SCO, or ARPI indemnities will be zero. Once the STAX, SCO, and ARPI indemnities are calculated and paid, the Farm Service Agency (FSA) can adjust the WHIP calculation to account for the indemnities paid and collect any overpayment from the producer through upcoming FSA program payments (i.e. ARC/PLC).

We strongly request that Congress approve the necessary funding for and program changes to WHIP before adjournment this year, so USDA can begin the rulemaking and implementation process as soon as possible. The severity of the conditions across the hurricane damaged areas of the southeastern U.S. cannot be overstated and the provision of timely relief is critically important.

Our industry stands ready to work with you, your colleagues in Congress, USDA, and our counterparts in other impacted sectors of agriculture to respond to the devastation caused by these natural disasters.

Sincerely,

National Cotton Council
Alabama Cotton Commission
Alabama Farmers Federation
Autauga Quality Cotton Association
Florida Farm Bureau Federation
Georgia Cotton Commission
Georgia Farm Bureau Federation
North Carolina Cotton Producers Association

North Carolina Farm Bureau Federation
South Carolina Cotton Board
South Carolina Farm Bureau Federation
Southern Cotton Growers, Inc.
Southeastern Cotton Ginners Association
Virginia Farm Bureau Federation
Virginia Cotton Growers Association

cc: Honorable Richard Shelby, Chairman, Senate Appropriations Committee
Honorable Pat Leahy, Vice Chairman, Senate Appropriations Committee
Honorable Rodney Frelinghuysen, Chairman, House Appropriations Committee
Honorable Nita Lowey, Ranking Members, House Appropriations Committee
Honorable Sonny Perdue, Secretary of Agriculture

Attachment