

**National Cotton Council
Cotton Policy and Related Provisions
in the 2018 Farm Bill Conference Report
December 10, 2018**

The following summary is based on the final 2018 Farm Bill Conference Report.

Title I – Commodity Title

Seed Cotton ARC/PLC Program

- Seed Cotton reference price maintained at \$0.367 per pound
- Provide a new ARC/PLC election choice starting with the 2019 crop that will be in place for 2019 and 2020
- Beginning in 2021, annual election allowed between ARC and PLC
- Reference price escalator provision based on 85% of a rolling 5-year Olympic average of market prices, but not less than the current reference price in statute nor greater than 115% of the statutory reference price

Loan Provisions

- Maintains the current upland cotton loan rate formula based on the 2-year moving average of the Adjusted World Price (AWP), but limits the annual decline to 2% of the previous year's loan rate
- Increases the extra-long staple (ELS) cotton loan rate to \$0.95 per pound
- Adjusts the maximum price trigger of the ELS competitiveness program from 134% of ELS loan rate to 113% of the ELS loan rate so that the loan rate adjustment does not result in the program triggering more often

Base Acres

- No change in seed cotton base acres and unassigned base resulting from the conversion of generic base acres
- Other crop base acres that were in permanent grass/pasture or fallow for the entire period of 2009 to 2017 will no longer be eligible for ARC/PLC
- These base acres will be eligible to enroll in a grasslands program as part of CSP if the acres remain in grass. If they go back into production, the grasslands payment will end and no ARC/PLC benefits will be provided

Payment Yields

- Effective for the 2020 crop year, opportunity to update payment yields on all crop base acres across the country on a farm by farm and commodity by commodity basis
- Based on 90% of the average farm yields for 2013 to 2017 (only years that crop was planted are included in the average), and then each crop will have an additional adjustment factor based on crop specific national yield data
- 75% of county average yield for 2013 to 2017 used as yield plug for any years where the farm's yield is below that level
- For cotton, this results in a formula of 81% of the 2013 to 2017 average farm yield

Textile Provision

- Maintains the payment rate in the Economic Adjustment Assistance Program (EAAP) at \$0.03 per pound and fully funds the program for the 10-year budget baseline period

Payment Limits and Program Eligibility

- No reduction in the \$125,000 per person payment limit; separate limit maintained for peanuts
- No reduction in the \$900,000 adjusted gross income (AGI) test
- No tightening or additional actively engaged provisions
- Includes expanded definition of family member for actively engaged purposes – lineal family member now includes nieces, nephews, and first cousins
- Marketing loan benefits (LDPs and MLGs) do not count toward the \$125,000 payment limit
- Commodity certificate authorization is maintained for use in redemption of loan commodities
- Application of budget sequestration to ARC/PLC payments will be applied before applying the respective payment limit, rather than applying the payment limit and then reducing the payments further to account for sequestration

Title II – Conservation Title

Environmental Quality Incentives Program

- Funding increased to \$1.75 billion in 2019 with incremental increases to \$2.025 billion in 2023
- At least 10% of funds targeted to wildlife habitat

Conservation Stewardship Program

- Funding increases from \$700 million in 2019 to \$1 billion in 2023
- Eliminates \$18/acre funding cap
- Eliminates automatic renewals
- Allows for one-time payment to create a Comprehensive Conservation Plan

Conservation Reserve Program

- Incrementally increases acreage limitation to 27 million acres
- Contract lengths are 10 to 15 years with options for renewal
- Rental rates capped for annual and continuous sign up at 85% and 90% of the county average respectively

Agricultural Conservation Easement Program

- Increases funding to \$450 million annually

Regional Conservation Partnership Program

- Funded at \$300 million annually
- Eliminates 7% donor program funding from EQIP, CSP and other programs.

Title III – Trade Title

Agricultural Trade Promotion and Facilitation Programs

- Market Access Program funded at \$200 million annually
- Foreign Market Development Program funded at \$34.5 million annually
- Creation of a new Priority Trade Fund with \$3.5 million in annual funding

Title V – Credit Title

Farm Service Agency Loans

- Increases direct farm ownership loan limits from \$300,000 to \$600,000 and guaranteed ownership loans limits from \$700,000 to \$1.75 million
- Increases direct operating loan limits from \$300,000 to \$400,000 and guaranteed operating loan limits from \$700,000 to \$1.75 million

Title VII – Research Title

High-Priority Research and Extension Initiatives (Pollinators)

- The Chief Scientist of USDA will coordinate activities relating to native and managed pollinators
- The language does not distinguish between pest and non-pest pollinators
- Will evaluate conservation practices for pollinator habitat but will not address the potential to increase crop pests in that habitat
- Will gather data on economic value to the food economy but will not address direct vs. indirect values
- Will document pesticide residues with respect to pollinator health visiting crops but will not compare it to health of pollinators in a non-crop habitat.

Title X – Horticulture Title

Multiple Crop and Pesticide Use Survey

- USDA's Office of Pest Management Policy shall conduct a multiple crop and pesticide use survey of farmers to collect data for risk assessment modeling and mitigation for an active ingredient
- Survey to be made public and submitted to EPA

FIFRA Interagency Working Group (ESA)

- FIFRA is amended by adding an Interagency Working Group consisting of USDA, EPA, Commerce, Interior, and White House Council on Environmental Quality
- Provide recommendations and implement a strategy for improving the consultation process between EPA and the Services (Fish and Wildlife and National Marine Fisheries) for pesticide registrations and reviews
- Approach strategy to consultation must be documented in an MOU

- In 12 months, 18 months, and 30 months, reports are to be made to the House and Senate Agriculture Committees
- Other reports are due every 180 days for 5 years to the Committees

Title XI – Crop Insurance Title

General Provisions

- Cover cropping is deemed a good farming practice if the cover crop is terminated in accordance with guidelines prescribed by the Secretary or exceptions to these guidelines
- Increases CAT policy fee from \$300 to \$600
- Authorizes the Federal Crop Insurance Corporation to allow a producer to establish an enterprise unit by combining 1 or more enterprise units in 1 or more counties and all basic units and optional units in 1 or more counties
- Codifies the authority of RMA to provide a 10 percent cap on APHs, along with the authority to provide other adjustments to APH
- Requires use of NASS data to detect disparities and anomalies that indicate fraud, waste, and abuse
- Requires continuing education for agents and loss adjustors
- Modifies reimbursement requirements for policy submissions under section 508(h) by, among other things, basing reimbursement on reasonable costs
- Limits rebating to current states and entities

Requires research and development on the following

- Tropical storm or hurricane coverage for low frequency, catastrophic weather events
- Quality loss coverage that does not impact APH
- Subsurface irrigation practices to reflect increased yield, productivity
- Limited irrigation practices, including expanded availability

Title XII – Miscellaneous Title

Pima Cotton Trust Fund

- Maintains the Pima Cotton Trust Fund with the eligibility criteria for mill participation updated to include a rolling calendar year basis for determining eligible mill consumption and production of qualifying Pima cotton yarns

Report Language

- Encourages USDA to establish the AWP based on the three lowest Far East quotes
- Encourages USDA to work with the cotton industry to ensure the annual “average costs to market” survey and resulting values fully and consistently capture the costs of marketing and the industry is provided advance notice of such changes
- Encourages USDA to work with all segments of the cotton industry to make administrative changes in the cotton warehouse and shipping provisions to help improve the timely flow of cotton to the marketplace