

Congress of the United States
Washington, DC 20515

August 5, 2016

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue Southwest
Washington, DC 20250

Dear Mr. Secretary:

As you know, several organizations representing the U.S. cotton industry have requested modifications to the implementation of the Extra-Long Staple (ELS) Competitiveness Program that would greatly enhance the ability of the program to meet the stated goals outlined in the Agricultural Act of 2014. In order to meet the objectives of expanded domestic use, increased exports and competitiveness in world markets, the industry has requested that USDA include the Chinese ELS price quote in the relevant calculations of the Competitiveness Program. This quote would supplement existing quotes for Egyptian and Israeli cotton in the determination of any payments.

It has come to our attention that USDA informed cotton industry representatives that the department lacks the authority under the 2014 Farm Bill to include the Chinese quote since China does not currently export significant quantities of ELS cotton. After reviewing the statute, it is our opinion that your interpretation is overly restrictive and is inconsistent with the authority granted in the current farm legislation.

Section 1208(b)(1) refers to "the world market price for the lowest priced competing growth of extra-long staple cotton (adjusted to United States quality and location and for other factors affecting the competitiveness of such cotton), as determined by the Secretary..." The statute does not limit your discretion as to which competing growths of cotton to include in your determination. Instead, Congress provided you the discretion to determine the most appropriate world market price for ELS cotton in order to achieve the purposes of the statute. If Congress intended to limit your discretion to competing growths of exported cotton, it could have expressly done so – but it has not.

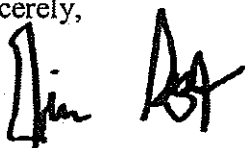
Importantly, China's pattern of ELS production and purchases has changed dramatically in recent years, just as its influence on the world cotton market has grown tremendously. In recent years, Chinese ELS production increased from 175,000 bales to almost 650,000 bales, and China's imports of ELS cotton have plummeted. Given China's dominant role in the world market as a consumer of ELS cotton, these shifts in its production and consuming patterns have an enormous impact on the world market price and demand for exported American Pima cotton. In contrast, production of the Egyptian and Israeli crops, which comprise the only competing growths currently

used for the purposes of the statute, are small and have limited market exposure. China's internal price is simply a better indicator of the prevailing ELS export price that U.S. exporters can obtain.

Moreover, you have reliable and transparent access to Chinese prices. The internal price quotes for Chinese ELS cotton are available from the independent private firm Cotlook, which is the same source used for Egyptian and Israeli quotes. The Chinese price quote can be easily adjusted to the same terms as the other price quotes.

Given the weakening market prices and struggling export market, ELS cotton producers are coming under increasing financial pressures. We urge you to reconsider the decision regarding use of Chinese ELS price quotes.

Sincerely,



JIM COSTA
Member of Congress



DAVID G. VALADAO
Member of Congress



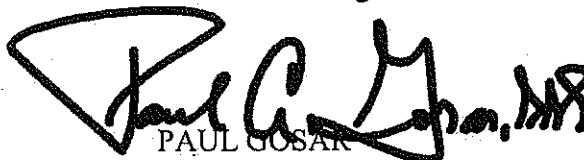
K. MICHAEL CONAWAY
Member of Congress



COLLIN C. PETERSON
Member of Congress



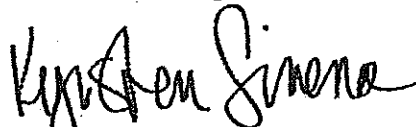
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