

U.S. House of Representatives
Committee on Agriculture
Subcommittee on General Farm Commodities and Risk Management

Amendment submitted in advance (numbered in order received)

Amendment #: 019

Submitted by Rep. Mr. Marshall – Cotton Program 1

#19

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE
OFFERED BY M . _____**

In section 1001, insert the following additional definitions in the appropriate places (and redesignate existing paragraphs accordingly):

1 (3) COMPARABLE UNITED STATES QUALITY.—
2 The term “Comparable United States Quality”, with
3 respect to upland cotton, means upland cotton clas-
4 sified as Middling (M) 1³/₃₂-inch cotton with a
5 micronaire of 3.7 to 4.2, strength 30 grams per tex,
6 and uniformity of 83.

7 (11) FAR EAST PRICE.—The term “Far East
8 price” means the Friday through Thursday average
9 price quotation for the three lowest-priced growths
10 of upland cotton, as quoted for Middling (M) 1³/₃₂-
11 inch cotton, delivered C/F Far East.

12 (20) UNITED STATES PREMIUM FACTOR.—The
13 term “United States Premium Factor” means the
14 percentage by which the difference in the United
15 States loan schedule premiums for Strict Middling
16 (SM) 1¹/₈-inch cotton and for M 1³/₃₂-inch exceeds
17 the difference in the applicable premiums for com-

1 parable international qualities delivered C/F Far
2 East.

In section 1103(c)(6), strike “\$0.7240” and insert
“\$0.6861”.

In section 1202(a)(6), insert “the base quality of”
before “upland cotton”.

In section 1204, strike subsections (d) and (e), re-
designate subsections (f) and (g) as subsections (g) and
(h), and insert after subsection (e) the following new sub-
sections:

3 (d) PREVAILING WORLD MARKET PRICE.—For pur-
4 poses of this section and section 1207, the Secretary shall
5 prescribe by regulation—

6 (1) a formula to determine the prevailing world
7 market price for upland cotton, which shall be based
8 on the Far East price of upland cotton;

9 (2) a formula to determine the prevailing world
10 market price for rice.

11 (3) a mechanism by which the Secretary will
12 announce periodically the prevailing world market
13 price for upland cotton, long grain rice, and medium
14 and short grain rice; and

15 (4) a mechanism by which the Secretary will
16 make the adjustments, required by subsection (e), to

1 the prevailing world market price for upland cotton,
2 long grain rice, and medium and short grain rice.

3 (e) ADJUSTMENT OF PREVAILING WORLD MARKET
4 PRICE FOR UPLAND COTTON.—The prevailing world mar-
5 ket price for upland cotton, determined in subsection (d)
6 shall be—

7 (1) adjusted to United States quality and loca-
8 tion, with such quality adjustment to include—

9 (A) any existing United States loan sched-
10 ule premiums for Comparable United States
11 Quality; and

12 (B) a reduction equal to any United States
13 Premium Factor to upland cotton of a quality
14 higher than Middling (M) 1³/₃₂-inch; and

15 (2) adjusted to take into account average costs
16 to market the commodity, including average trans-
17 portation costs, as determined by the Secretary.

18 (f) ADDITIONAL ADJUSTMENT AUTHORITY REGARD-
19 ING PREVAILING WORLD MARKET PRICE FOR UPLAND
20 COTTON.—

21 (1) IN GENERAL.—During the period beginning
22 on the date of the enactment of this Act through
23 July 31, 2013, the Secretary may further adjust the
24 prevailing world market price for upland cotton (ad-

1 justed under subsection (d)) if the Secretary deter-
2 mines such adjustment necessary—

3 (A) to minimize potential loan forfeitures;

4 (B) to minimize the accumulation of stocks
5 of the commodity by the Federal Government;

6 (C) to allow the commodity produced in
7 the United States to be marketed freely and
8 competitively, both domestically and inter-
9 nationally;

10 (D) to ensure that United States cotton is
11 competitive in world markets; and

12 (E) to ensure an appropriate transition be-
13 tween current-crop and forward-crop price
14 quotations, except that the Secretary may use
15 forward-crop price quotations prior to July 31
16 of the current marketing year only if there are
17 less than three current-crop price quotations
18 and only if such forward-crop price quotation is
19 the lowest such quotation available.

20 (2) GUIDELINES FOR ADDITIONAL ADJUST-
21 MENT.—In further adjusting the prevailing world
22 market price for upland cotton under this sub-
23 section, the Secretary shall establish a mechanism
24 for determining and announcing such adjustments in

1 order to avoid undue disruption in the United States
2 market.

In section 1207(a), strike paragraph (2) and insert
the following new paragraph:

3 (2) ESTABLISHMENT.—

4 (A) IN GENERAL.—The President shall
5 carry out an import quota program during the
6 period beginning on the date of the enactment
7 of this Act through July 31, 2013, as provided
8 in this subsection.

9 (B) PROGRAM REQUIREMENTS.—Whenever
10 the Secretary determines and announces that
11 for any consecutive 4-week period, the Friday
12 through Thursday average price quotation for
13 the lowest-priced United States growth, as
14 quoted for Middling (M) 1³/₃₂-inch cotton, deliv-
15 ered C/F Far East, exceeds the Far East price
16 there shall immediately be in effect a special
17 import quota.

In section 1207(a)(7), strike “5 week’s” and insert
“10 week’s”.

At the end of section 1207, insert the following new
subsection:

1 (c) ECONOMIC ADJUSTMENT ASSISTANCE TO USERS
2 OF UPLAND COTTON.—

3 (1) ISSUANCE OF MARKETING CERTIFICATES OR
4 CASH PAYMENTS.—During the period beginning on
5 the date of the enactment of this Act through July
6 31, 2013, the Secretary shall issue, on a monthly
7 basis, marketing certificates or cash payments, at
8 the option of the recipient, to domestic users of up-
9 land cotton for all documented use of upland cotton
10 during the previous monthly period regardless of the
11 origin of the upland cotton.

12 (2) VALUE OF CERTIFICATES OR PAYMENTS.—
13 The value of the marketing certificates or cash pay-
14 ments shall be 4 cents per pound.

15 (3) ALLOWABLE PURPOSES.—Economic adjust-
16 ment assistance under this subsection shall be made
17 available only to domestic users of upland cotton
18 that certify that such funds shall be used only for
19 acquisition, construction, installation, modernization,
20 development, conversion, or expansion of land, plant,
21 buildings, equipment, facilities, or machinery.

22 (4) REVIEW OR AUDIT.—The Secretary may
23 conduct such review or audit of the records of a do-
24 mestic user under this subsection as determined nec-
25 essary to carry out the provisions of this subsection.

1 (5) IMPROPER USE OF ASSISTANCE.—If the
2 Secretary determines, after a review or audit of the
3 records of the domestic user, that economic adjust-
4 ment assistance under this subsection was not used
5 for the purposes specified in paragraph (3), the do-
6 mestic user shall be liable to repay such assistance
7 to the Secretary, plus interest, as determined by the
8 Secretary, and shall be ineligible to participate in
9 the program established by this subsection for a pe-
10 riod of 12 months following the determination of the
11 Secretary.

Strike section 1605 and insert the following new section:

12 **SEC. 1605. ADJUSTMENTS OF LOANS.**

13 Section 162 of the Federal Agriculture Improvement
14 and Reform Act of 1996 (7 U.S.C. 7282) is amended—

15 (1) in subsection (a), by inserting “(except for
16 cotton)” after “commodity”;

17 (2) in subsection (b), by striking “Farm Secu-
18 rity and Rural Investment Act of 2002” and insert-
19 ing “**【2007 Farm Bill】**”; and

20 (3) by adding at the end the following new sub-
21 section:

22 “(d) ADJUSTMENT IN LOAN RATE FOR COTTON.—

1 “(1) ADJUSTMENT AUTHORITY.—The Secretary
2 may make appropriate adjustments in the loan rate
3 for cotton for differences in quality factors.

4 “(2) REVISIONS TO QUALITY ADJUSTMENTS
5 FOR UPLAND COTTON.—

6 “(A) REVISION.—Within 180 days after
7 the date of the enactment of the [2007 Farm
8 Bill], the Secretary, after consultation with the
9 private sector as provided in paragraph (3),
10 shall implement revisions in the administration
11 of the marketing assistance loan program for
12 upland cotton to more accurately and efficiently
13 reflect market values for upland cotton.

14 “(B) MANDATORY REVISIONS.—The revi-
15 sions required under subparagraph (A) shall in-
16 clude the following:

17 “(i) The elimination or adjustment of
18 warehouse location differentials to reflect
19 market conditions.

20 “(ii) The establishment of differentials
21 for the various quality factors and staple
22 lengths of cotton based on a three-year,
23 weighted moving average of the weighted
24 designated spot market regions as deter-
25 mined by regional production.

1 “(iii) The elimination of any artificial
2 split in the premium or discount between
3 upland cotton with a 32 or 33 staple
4 length due to micronaire;

5 “(iv) A mechanism to ensure that no
6 premium or discount is established that ex-
7 ceeds the premium or discount associated
8 with a leaf grade that is one better than
9 the applicable color grade.

10 “(C) DISCRETIONARY REVISIONS.—The re-
11 visions under subparagraph (A) may include, at
12 a minimum, the following:

13 “(i) The use of non-spot market price
14 data, in addition to spot market price data,
15 that would enhance the accuracy of the
16 price information used in determining
17 quality adjustments under this subsection.

18 “(ii) Adjustments in the premiums or
19 discounts associated with upland cotton
20 with a staple length of 33 or above due to
21 micronaire with the goal of eliminating any
22 unnecessary artificial splits in the calcula-
23 tions of such premiums or discounts.

24 “(iii) Such other adjustments deter-
25 mined appropriate by the Secretary, after

1 consultations conducted in accordance with
2 paragraph (3).

3 “(3) CONSULTATION WITH PRIVATE SECTOR.—

4 “(A) PRIOR TO REVISION.—Prior to imple-
5 menting any revisions to the administration of
6 the marketing assistance loan program for up-
7 land cotton, the Secretary should endeavor to
8 consult with an existing private sector com-
9 mittee whose membership includes representa-
10 tives of the production, ginning, warehousing,
11 cooperative, and merchandising segments of the
12 United States cotton industry and that has de-
13 veloped recommendations concerning such revi-
14 sions.

15 “(B) UPON REVIEW.—The Secretary shall
16 also consult with the committee referred to in
17 subparagraph (A) when conducting a review of
18 adjustments in the operation of the loan pro-
19 gram as provided in paragraph (4).

20 “(C) INAPPLICABILITY OF FEDERAL ADVI-
21 SORY COMMITTEE ACT.—The Federal Advisory
22 Committee Act (5 U.S.C. App.) shall not apply
23 to consultations under this paragraph with the
24 committee referred to in subparagraph (A).

1 “(4) REVIEW OF ADJUSTMENTS.—The Sec-
2 retary may review the operation of the upland cotton
3 quality adjustments implemented pursuant to this
4 subsection and may make further revisions to the
5 administration of the loan program, by either revok-
6 ing or revising the actions taken pursuant to para-
7 graph (2)(B) or by revoking or revising any actions
8 taken or authorized to be taken under paragraph
9 (2)(B).

10 “(5) ADJUSTMENTS IN EFFECT PRIOR TO REVI-
11 SION.—The quality differences (premiums and dis-
12 counts for quality factors) applicable to the upland
13 cotton loan program (prior to any revisions in ac-
14 cordance with this subsection) shall be established
15 by the Secretary by giving equal weight—

16 “(A) to loan differences for the preceding
17 crop; and

18 “(B) to market differences for such crop in
19 the designated United States spot markets.”.

 Add at the end the following new section:

20 **SEC. 16___ . GOVERNMENT PUBLICATION OF COTTON**
21 **PRICE FORECASTS.**

22 Section 15 of the Agricultural Marketing Act (12
23 U.S.C. 1141j) is amended by striking subsection (d).