

**UNCTAD GLOBAL COMMODITIES FORUM
13-14 April 2015**

The US Farm Bill: Implications for Cotton Producers

By

Mr. Terry Townsend
Cotton Analytics

The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.

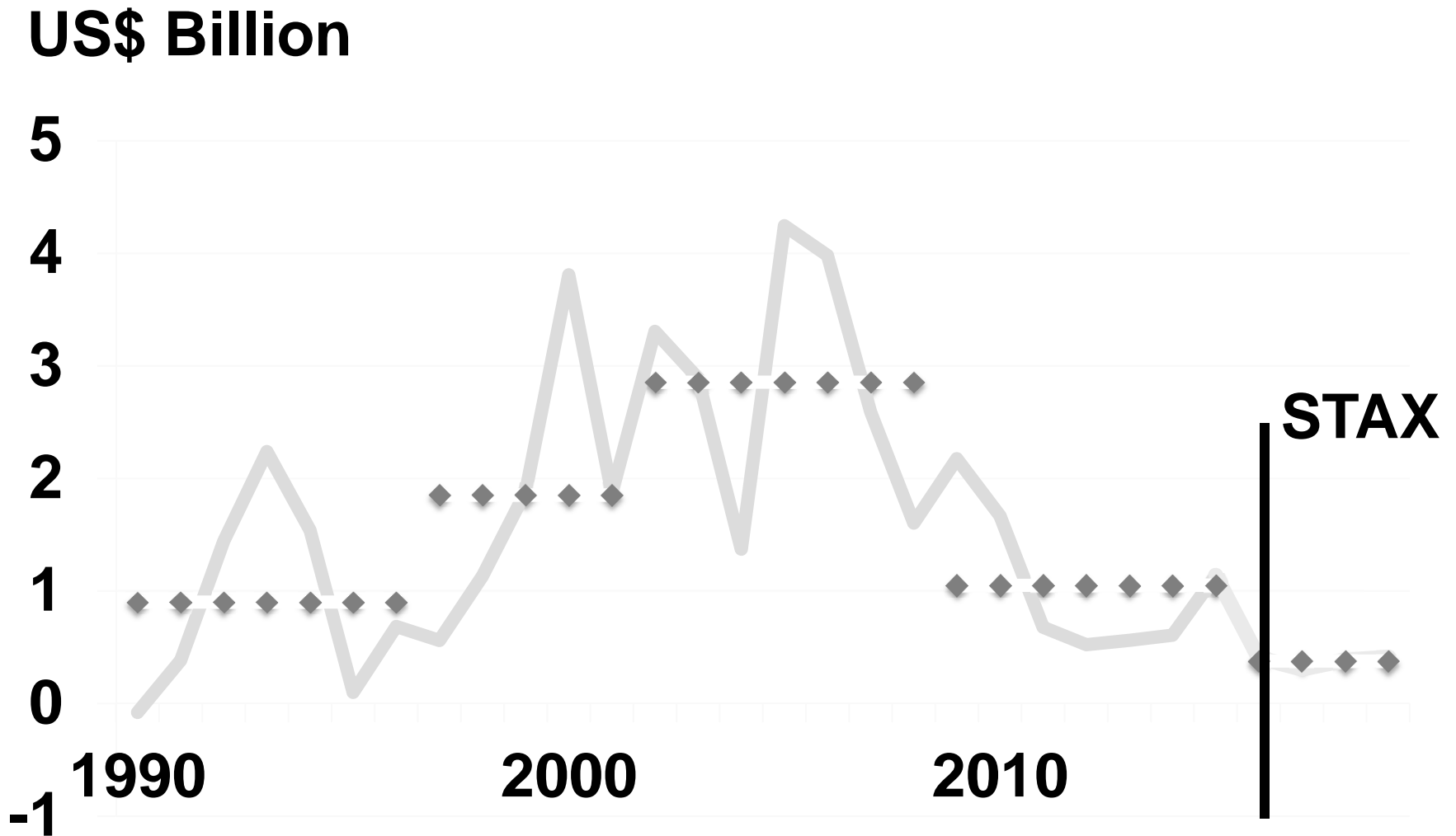
The 2014 U.S. Farm Bill: A Win for the WTO

**UNCTAD
2015 Global Commodity Forum**

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**Terry Townsend
Cotton Analytics**

U.S. Government Expenditures on Cotton



Cumulative Subsidies

00/01-09/10

\$ Billions

25

20

15

10

5

0

45% of USA Farm Value

USA

China

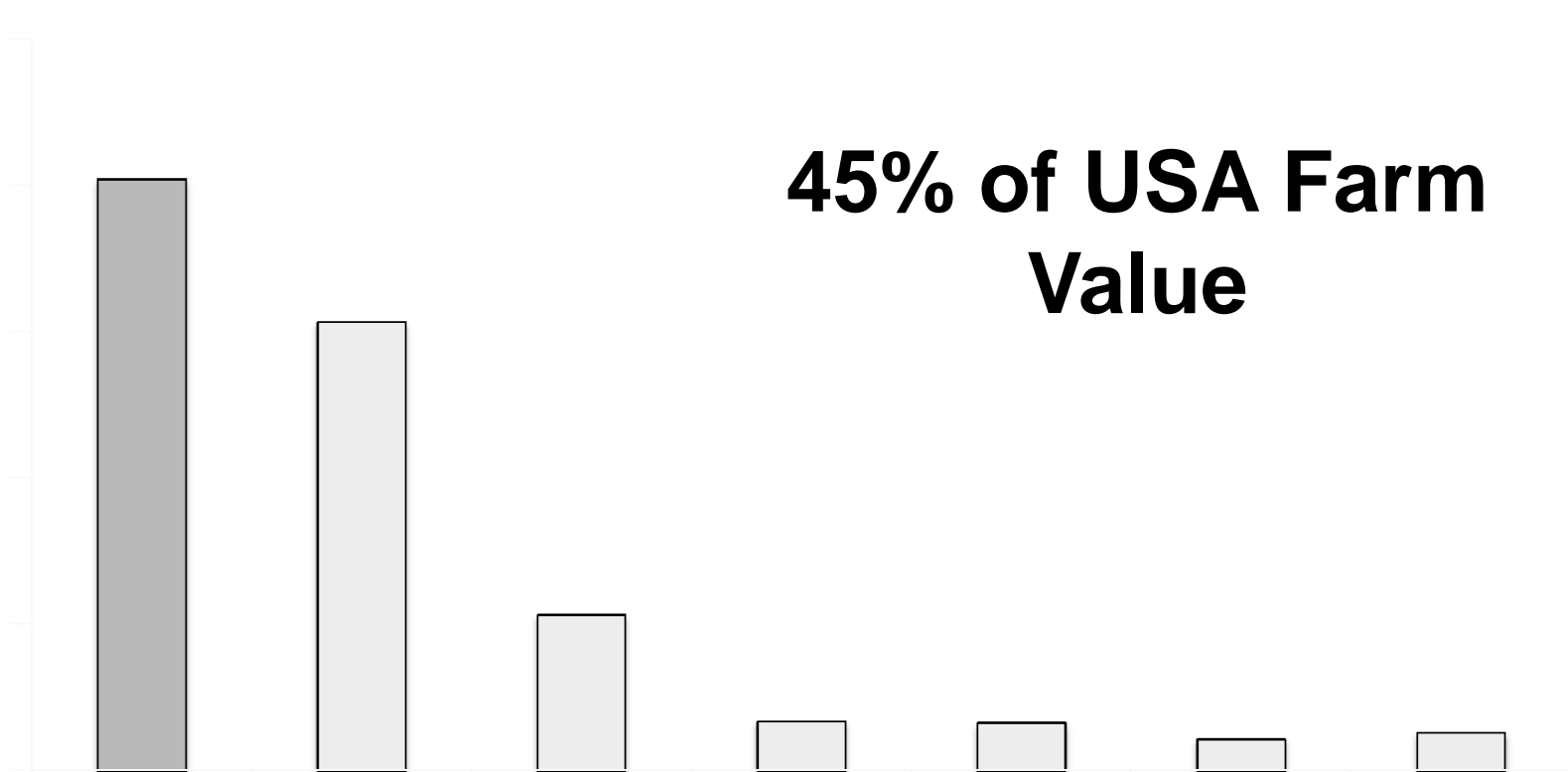
Greece

Spain

Turkey

Brazil

Others



2014 Farm Bill

- Eliminated Direct Payments based on Area
- Eliminated Countercyclical Payments based on Target Prices
- Kept Marketing Loan
- Added **Revenue** Insurance (Price x Yield)

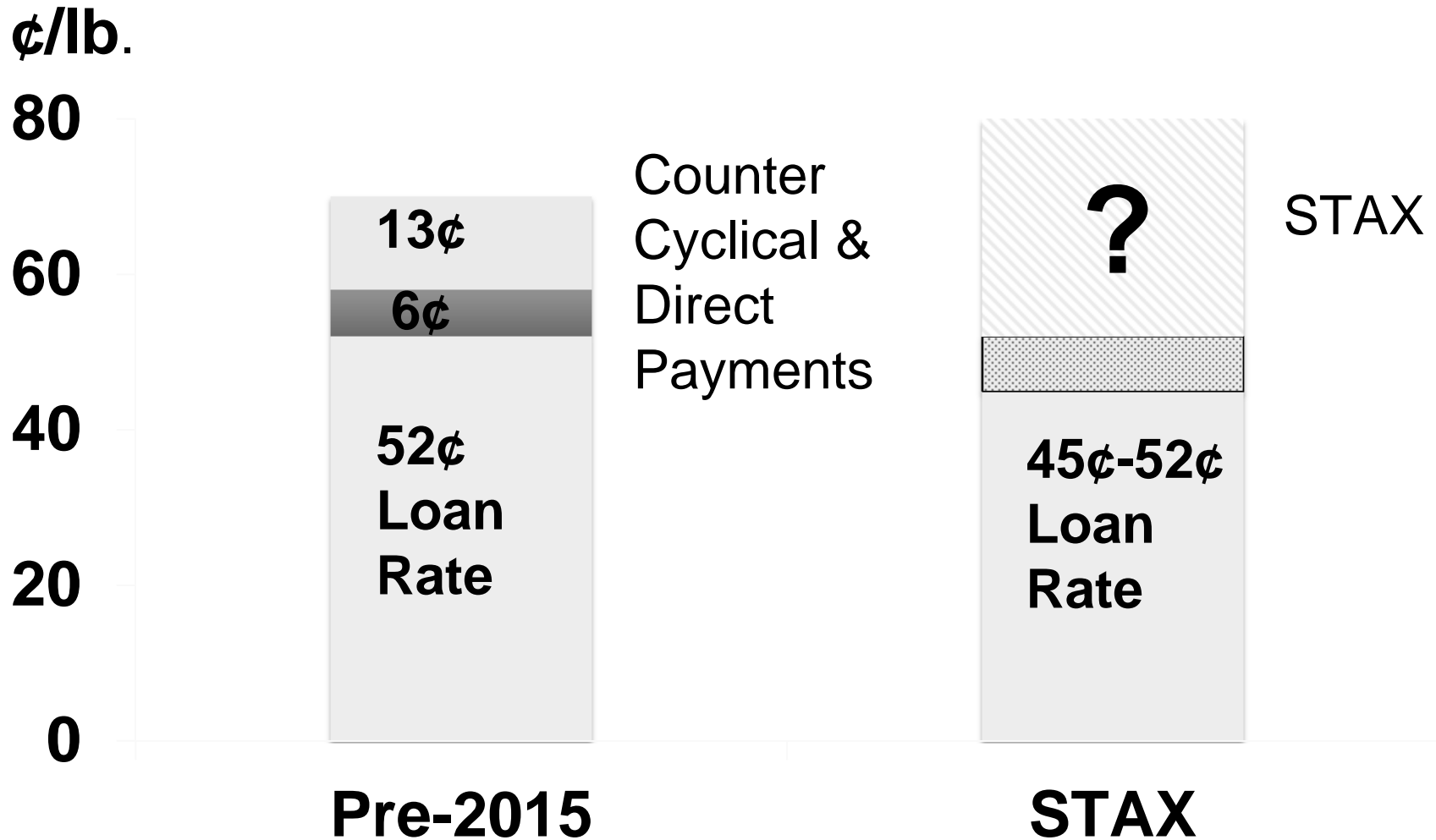
2014 Farm Bill

For Cotton:

- STAX: Stacked Income Protection Plan

Short-term revenue insurance
(**yield** x price)

USA Cotton Programs



2014 Farm Bill

For Cotton:

STAX:

- Yields: county-wide averages
- Prices: ICE futures
- Farmers pay 20% of insurance premiums
- **Within-Season Insurance Coverage Only!**
 - (Price declines from one season to the next are not covered)

Example: Old Program*

2015/16

Target Price		\$0.71
Farm Price (guess)		\$0.55
Direct Payment	\$0.06	
Deficiency Payment	\$0.10	
Total		\$0.17
Per Acre		\$136.00

*Simplified: base acres, program yields and other variables not considered

Example: STAX 2015/16

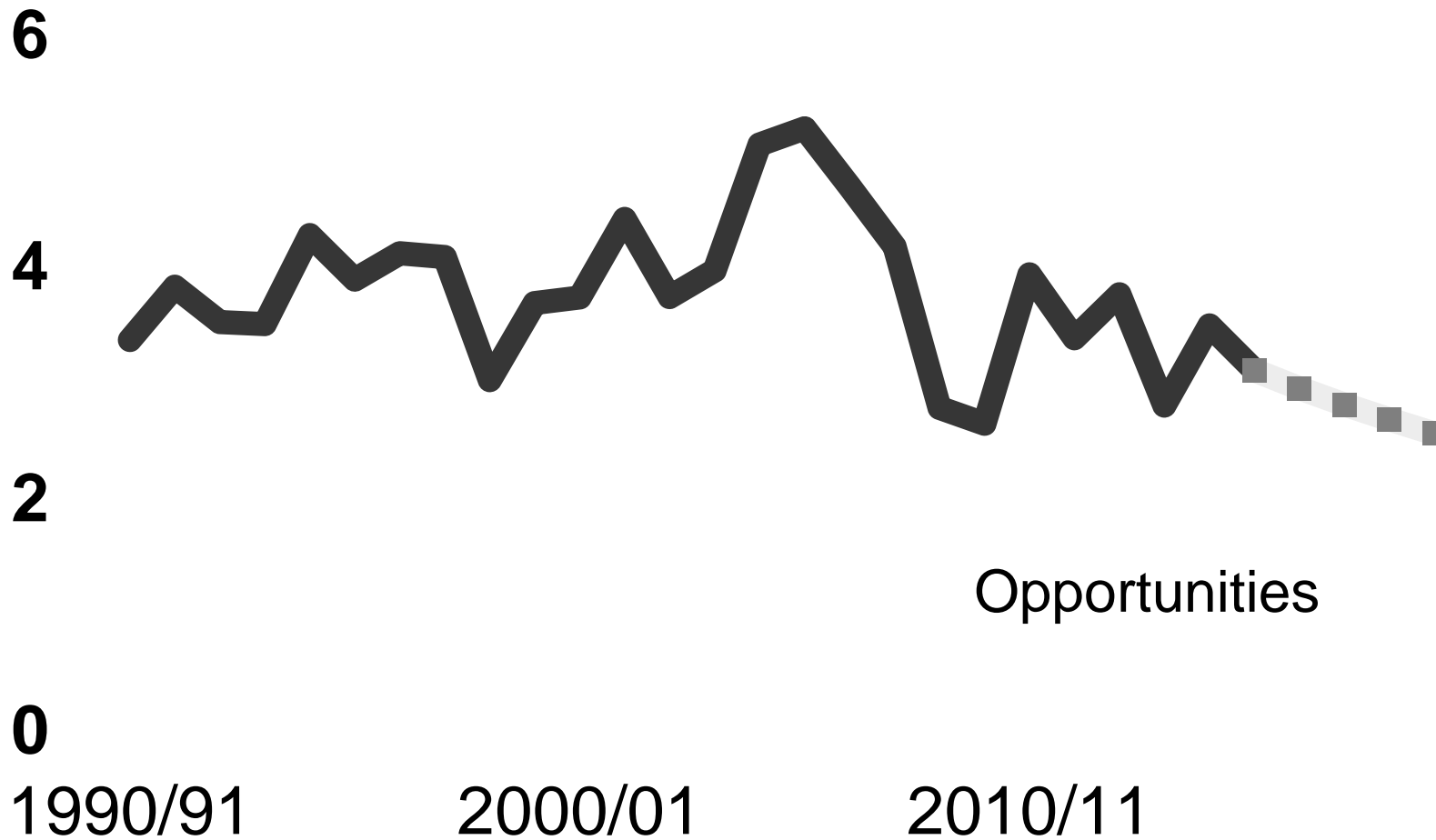
Proj. Price, ICE Futures Jan 2015		\$0.63
5-Year Avg Yield for the County		800
Expected County Revenue		\$504
	90%	\$454
	70%	\$353
Max Indemnity		\$101
Premium		\$10
Max Net Benefit/Ac		\$91

Example: STAX 2015/16

90%	\$454
70%	\$353

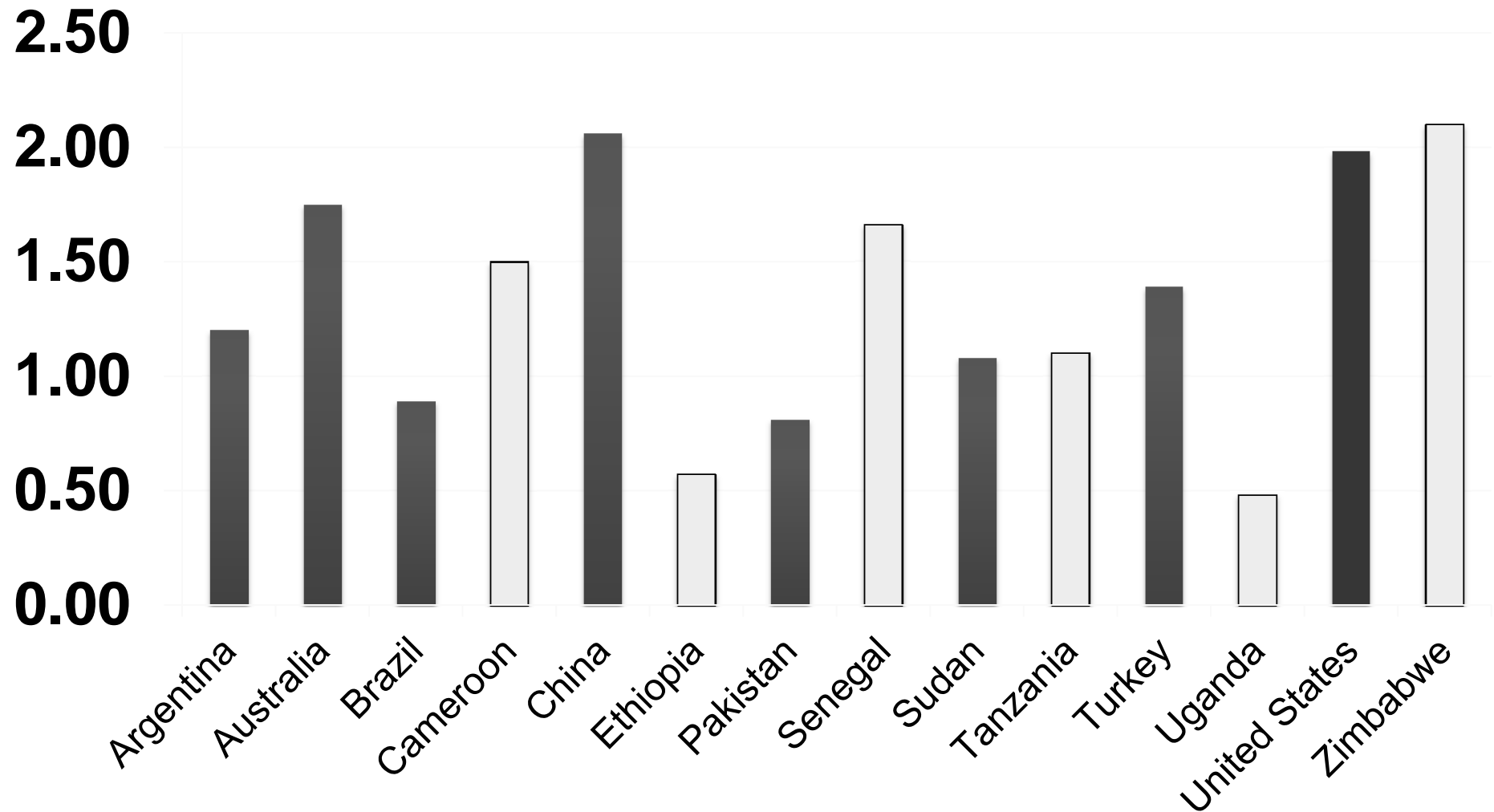
Harvest Price, ICE Futures Oct 2015	\$0.63
Actual County Yield	800
Actual County Revenue	\$504
Indemnity in County per acre minus \$10 premium	-\$10

U.S. Cotton Production, Million Tons

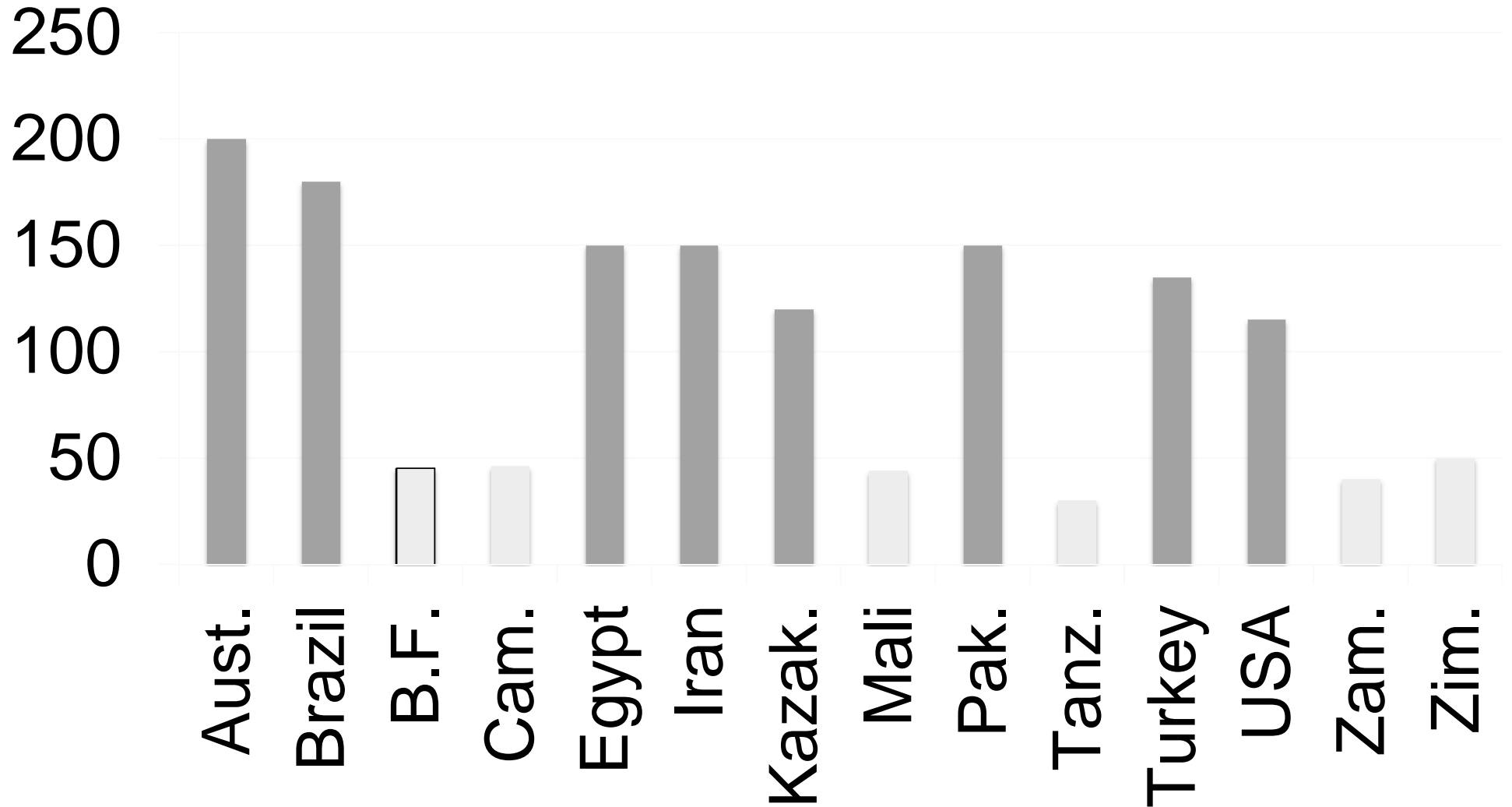


Net Cost of Cotton Production

U.S. \$/Kg of Lint



Nitrogen Use in Cotton Production, Kg/Ha



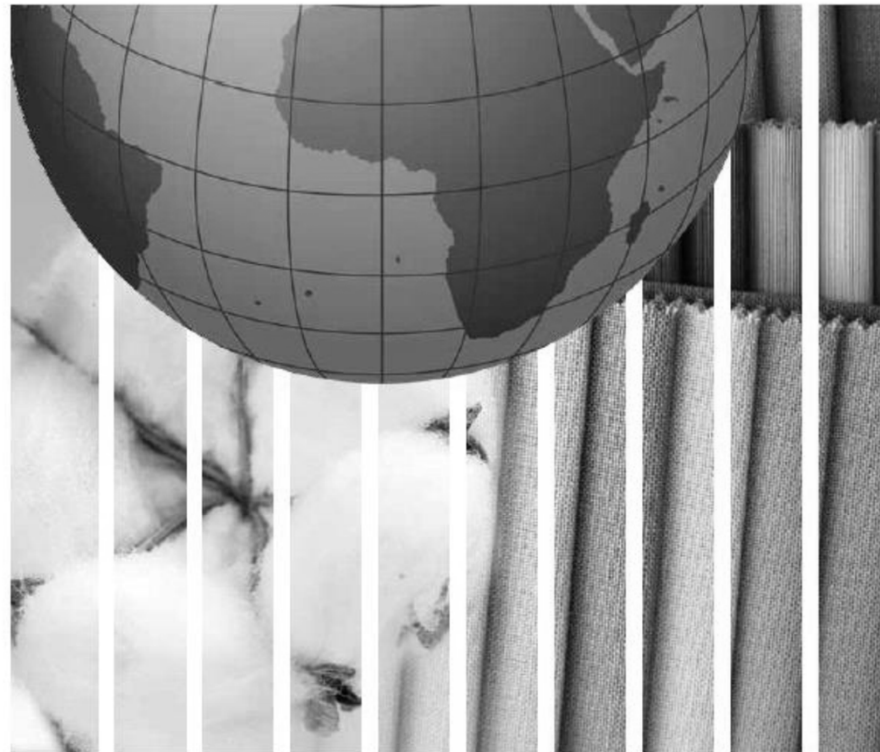
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PAN-AFRICAN COTTON ROAD MAP

A continental strategy to strengthen regional cotton value chains
for poverty reduction and food security



UNITED NATIONS