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Gary Roschetzky, Dawson County Extension Agent
P.O. Box 1368, Lamesa, TX 79331
E-mail: gary.roschetzky@ag.tamu.edu



By Jessica Domel
Field Editor

A combination of high inputs, low prices and no safety net could spell disaster for not only American cotton farmers, but for the Texas and U.S. economies.

In a letter to the U.S. House Committee on Agriculture, fourth generation cotton farmer Dan B. Smith of Lockney spells out the situation and urges lawmakers to take action.

"The seeds of our current situation were sown years ago and threaten to play havoc with the economy of an entire region of my state," Smith, who is also a Texas Farm Bureau (TFB) State Director, wrote.

He explains the cotton industry is stressed across the nation following the Brazilian Cotton Case. Brazil alleged the U.S. gave unfair subsidies to its cotton growers. As a result of the case, U.S. officials promised the country would not give direct subsidies for cotton farmers.

"The World Trade Organization (WTO) loss and decreasing levels of spending on farm programs dictated significant farm policy changes for U.S. cotton," Smith wrote. "The 2014 Farm Bill gave us a totally crop insurance-based support program for cotton and removed our crop from Title 1."

Losing coverage couldn't have come at a worse time for cotton growers. Cotton prices have decreased dramatically.

"The lack of a safety net has made profitable cotton farming much less likely," Smith wrote.

Cotton production is infrastructure-intensive.

Farmers rely on a network of capital-intensive businesses to process cotton.

"From gins at the local level to textile plants at the end of the chain—all must be profitable to stay in business. It's a partnership," Smith wrote.

Farmers need handlers and processors for their cotton and cotton products, who in turn need the cotton flowing into the market.

"At present, all levels of our domestic cotton industry are hurting, but without farmers growing the crop to begin with, the industry grinds to a halt," Smith wrote.

A decline in the cotton industry could result in a heavy hit to the Texas and United States economies.

Texas is the largest cotton-producing state—growing 55 percent of the nation's total acres of cotton.

The value of cash receipts for cotton is the largest of any crop in Texas at \$2.2 billion.

"Needless to say, cotton plays a vital role in the Texas economy," Smith wrote. "If cotton production declines significantly as

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a result of persistent low prices, not only will local economies suffer, but the state as a whole will suffer.”

The cotton industry, Smith explains, is caught in a classic cost-price squeeze. And today’s cotton prices are not sufficient enough to afford higher input costs.

The combination could mean a loss of cotton farmers not only in Texas, but across the nation.

By 2018, nine of 16 farmers could have a cash flow deficit of 50 percent or higher, according to a projection from the Agricultural and Food Policy Center at Texas A&M University.

Half the farms are projected to lose net worth in the same time.

“Of the eight representative farms located in Texas, only one was ranked ‘good’ in terms of long-term economic viability, two were ‘marginal,’ and five were ‘poor,’” Smith wrote.

The problem is complex. The resolution seems much simpler.

If the U.S. Department of Agriculture and Agriculture Secretary Tom Vilsack designated cottonseed as “other oilseed,” cotton farmers would be eligible for coverage under the farm bill safety net programs, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC).

“I believe this would be a wise step forward for all of agriculture, not just cotton farmers,” Smith wrote.

Cottonseed prices rise and fall just like other oilseeds, so Smith and other farmers believe it should be treated similarly in terms of government programs.

“Further, farmers can purchase a cottonseed endorsement on their crop insurance policies,” Smith wrote. “Since the federally-backed crop insurance program recognizes the financial risk I face for the seed portion of my crop, it follows that the ARC/PLC programs of the 2014 Farm Bill should recognize that risk as well.”

Smith strongly encouraged Vilsack to consider the designation as it would help cotton growers across Texas and the nation. It would also benefit those who work in sectors related to cotton and crop production.

“This move will help ensure production of our number one natural fiber, increase the financial viability of family farms, and help the local economies of the Cotton Belt,” Smith wrote.

Over 100 lawmakers, including Mike Conaway of Texas, signed a letter urging the USDA and Vilsack to approve the designation.

Tuesday afternoon, the American Farm Bureau Federation (AFBF) board of directors voted to send Vilsack a letter urging him to designate cottonseed as an oilseed to help Texas and American cotton farmers.

The designation would require no legislative action.

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