

COMMITTEE ON COMPRESSES, WAREHOUSES AND TRANSPORTATION

Compress and Warehouses and Intermediate Transload

1. We recommend warehouses modify tariffs to conform to state and insurance guidelines with regard to claim filing and filing requirements be stated within the published warehouse tariff.
2. We recommend warehouses to notify the trade at least 30 days prior to changes in their regular tariffs.
3. We vigorously oppose any supplemental storage penalties.
4. We vigorously oppose outside storage. We also urge the USDA not to approve bale packaging materials for the use of outside storage of loan or CCC owned cotton until such materials have been approved by the Joint Cotton Industry Bale Packaging Committee pursuant to strict and objective testing procedures encompassing all possible weather conditions.
5. We recommend all warehouses inspect all bales prior to shipment to assure they are Grade A bales and to maintain at all times experienced and properly trained personnel who can recognize a Grade A bale condition and that they notify shippers prior to time of loading of any short or damaged bales. Random inspections/notification of damage as soon as detected so we can cut bales and file claims in advance.
6. We recommend warehouses have sufficient personnel to operate during all normal business hours Monday thru Friday.
7. We recommend that holidays and closings be published in their tariff.
8. We recommend that warehouses discontinue the issuance of multiple storage location under a single CCC licensed code. And/or re-concentrate at one location at warehouse expense.
9. We recommend all warehouses to transmit bale locations to facilitate building loads with bales within close proximity.
10. We recommend that the minimum weekly shipping standard be applied to the greater of the licensed warehouse capacity or the maximum total bales under its control during the season; that the standard be raised from 4.5 percent to 7 percent.
11. We recommend that CCC audit all licensed warehouses to ensure compliance with the minimum standard in effect, and when found deficit direct the non-compliant warehouse to take immediate action to remedy and meet the standard.
12. We recommend the reinstatement of stop storage dates in warehouse tariffs. Adjust tariffs to a fixed rate with a guaranteed performance time period.
13. We recommend warehouses spot check bale moisture to ensure that they meet CCC guidelines.
14. We recommend warehouses to provide and affix their seal in accordance with regulatory guidelines to loaded trailers, railcars or containers and provide accurate and timely reporting transmitted by EWR when canceling receipts of load details, including bale nos., mark, trailer/railcar/container number and seal number.
15. We urge the USDA to have uniform warehouse Phytosanitary compliance agreements throughout the U. S. Cotton industry,
16. We recommend that all warehouses obtain a compliance agreement from the USDA for the performance of Phytosanitary Inspections and such compliance is listed in their tariff along with the expiration date and conform to USDA-PPQ Phytosanitary standards.

17. We recommend that all warehouses specify their required process for requesting Phytosanitary certificates in their tariff order to ensure timely and accurate communication the first time
18. We recommend that Texas Cotton Association members and all warehouses work together to find an electronic solution to request Phytosanitary certificates like EWR.
19. We recommend that the Texas Cotton Association request that the United States Department of Agriculture work to reduce the requirement for Phytosanitary certificates beyond those countries that do not require them today.
20. We recommend warehouse operators or transloaders adopt loading/unloading procedures that will assure carriers are loaded/unloaded within 2 hours of arrival and accept responsibility for detention if delays in loading are incurred during hours of service. Also maintain adequate records regarding arrival and departure of carriers that includes printed legible driver's name and trucking company name.
21. We recommend warehouse operators review and adjust their operating hours to accommodate trucking community service changes and impacts coming from the Federal Motor Carrier Safety Administration (FMCSA) electronic driver log regulation/requirements.
22. We recommend that Texas Cotton Association members clearly identify which party – warehouse or trucker - will be responsible for supplying and applying high security bolt seals when required by the country of destination.
23. We recommend the further development with EWR a standardized uniform straight bill of lading that can be transmitted for truck, rail and intermodal shipments.
24. We support ACSA, CGWA and CWAA joint statement on warehouse performance and urge these groups to move expeditiously toward the creation of a transparent electronic receipt reporting system.
25. We recommend all warehouses to ensure that the amount of insurance coverage provided will at all times be in an amount adequate to fully cover the interests of the holders of EWRs.
26. How can TCA obtain information about the insurance coverage for each warehouse? Can this information be distributed to the membership? What recommendations, if any, do they have for members, to insure that goods are sufficiently covered.
27. The committee strongly urges TCA members to utilize the approved Batch 23 program in order to provide merchants and USDA with sound data on shipping order submissions and executions of such by participating warehouses. The Batch 23 information is to be reviewed by USDA to ensure compliance with the warehouse minimum shipping standard.
28. The committee strongly urges TCA members to participate in the Transportation Strategic Planning Committee activity.

Warehouse/Gin

1. We recommend that warehouses spot check gin bale weights of every load to maintain the integrity of bale weights.
2. We recommend warehouses remind gins all packaging must be in compliance with methods and materials approved by the National Cotton Council Joint Industry Bale Packaging Committee (JCIBPC) for loan eligibility. Tie strength specifications should be strictly adhered to ensure the production of the recognized gin universal standard size of 21X55X28.

3. We recommend that warehouses remind gins to make every effort to prevent contamination by foreign matter prior to and during ginning process in that contamination incidences damage the reputation of U. S. cotton both domestically and internationally.
4. We strongly urge gins to eliminate the practice of adding excessive moisture to bales during the ginning process. We urge the Commodity Credit Corporation (CCC) to immediately establish a maximum bale moisture content level of 7.5%, with no tolerances, for cotton to be eligible for the CCC Loan Program and that the CCC establish methods of testing for moisture content prior to entry into the Loan Program.
5. We strongly urge gins to maintain bale weights as close to 500 pounds as possible.
6. We urge warehouses to notify TCA/ACSA within twenty-four (24) hours of any disasters causing loss or potential loss of bales.

Transportation (All Modes):

1. Carriers should always provide equipment in a wind and water-tight condition and free of contaminates. Defective equipment creates risks for the carrier, cargo and shipper.
2. Shippers need to know the regulatory, legislative and industry requirements for cotton to ensure safer and proper handling, including but not limited to:
 - a. truck weight restrictions
 - b. correct container seals for destination markets
 - c. phytosanitary certificates

Truck

1. Texas Cotton Association members need timely pickup and delivery to meet customer commitments. Truck transportation is a key part of the process. Members need truckers to:
 - a. adhere to scheduled load dates and mill delivery dates
 - b. confirm ready date with warehouse operators at least 48 hours in advance of scheduled pick up date and ensure that bales have been released prior to sending a driver.
 - c. notify the shipper and warehouse on schedule changes within 48 hours that impact planned pick up at the warehouse, and the recovery plan.
2. Ensure that truckers have complete and accurate information on what they are picking up, including mark and weight of each load.
3. We recommend Texas Cotton Association members understand the coming changes under the Federal Motor Carrier Safety Administration (FMCSA) electronic drive logs regulation and requirements, and work with their truckers, brokers and other transportation providers to ensure compliance to minimize impact of Texas cotton flow.
4. We recommend Texas Cotton Association members to support national initiatives to create a pilot for increased legal truck cargo weights.
5. We recommend Texas Cotton Association members to review and understand the potential impacts of Texas Senate Bill 1524 which would create a heavy weight container corridor with fifteen miles of Houston port complexes.

Ocean

1. Ocean carriers are the primary conduit for Texas cotton vessel exports. Therefore, ocean carriers need to maintain sufficient staffing levels to service and support regular and peak cotton demand periods.
2. Texas cotton shippers need ocean carriers to provide 90 days advance notice on any increase to rates or applicable surcharges, including new charges.
3. Ocean carriers need to notify shippers of equipment shortages 48 hours before port or intermodal first receiving date.
4. Ocean carriers need to improve shipment connection to booked vessels and work to reduce shipment splits and rolls. In addition, shippers need provide:
 - a. advanced notification of shipment splits and rolls 48 hours before vessel departure
 - b. contacts with problem solving authority to address the service issue.
5. Carriers need to notify Shippers immediately of any changes made to the interior cutoffs (both rail and port). We have to make the dray truckers aware of any changes so there are no dry runs. This information is vital.
6. Carriers need to provide a minimum of five days, before the rail cut to return containers to the rail.
7. Ocean carriers need to continue work with shippers and the ocean industry portals to improve EDI effectiveness for bill of lading turn time and accuracy. Too many industry bills of lading are released with errors not driven by shipper data changes.
8. Prior to switching to company owned chassis, we urge ocean carriers to negotiate with the rail carriers for live swings in a timely manner and add additional lifts and staff to accommodate shipment swings.
9. We recommend that Texas Cotton Association members review how to improve commitment visibility and forecasting with ocean carriers within the Federal Maritime Commission (FMC) service contract process to help support sufficient equipment, chassis, truck power and vessel space when needed.

Documentation:

1. Accurate and timely shipment information ensures timely and accurate export documentation. As key suppliers:
 - a. Warehouses and truckers must provide and affix their seal, in accordance with regulatory guidelines, to loaded trailer(s), railcar(s), or container(s).
 - b. Warehouses, truckers and/or ocean carriers must provide accurate and timely reporting of load details including but not limited to bales, mark(s), trailer(s)/railcar(s)/container number(s), seal number(s) to shippers. We recommend reporting in an electronic format.

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2. Ocean carriers need to standardize their interpretation of regulatory and legislative mandates for data and cargo cutoffs across their industry. Specifically,
 - a. Timelines for No Doc / No Load. Dates and times must be noted in the initial booking confirmation from the ocean carrier.
 - b. Notifications of earlier deadlines to meet other countries rules and regulations.

3. EDI between industry portals and ocean carriers need to be utilized as intended:
 - a. The current shipment EDI process is not working as intended for shippers or ocean carriers resulting in an unacceptable amount of re-work for all parties involved.
 - b. The incomplete use of electronic shipment data causes delays in document turn times.
 - c. Resulting amendment fees add unplanned costs to shippers and mask a broader industry issue.

4. The Texas cotton shippers must maintain the post –departure filing option with AES (Option 3)/hybrid 3 clause and terms.

FOREIGN & DOMESTIC MILLS AFFAIRS

SANCTITY OF CONTRACTS

1. We urge members to support ACSA and other industry organizations to continue their vigilance and take any action necessary to preempt contract defaults. We commend the rapid response by the International Cotton Association, ACME, ACEA, and WCEA in addressing threats to sanctity of contracts.
2. We urge the ICA, WCEA, ACEA, and CICCA to continue the effective practice of issuing default lists to warn fellow exporters of buyers in default. We urge members to consult these lists so that sanctity of contracts can be preserved and remind members that by dealing with a defaulter they are jeopardizing the outstanding and unresolved issues of the party who placed the mill in default and that by knowingly or willfully trading with a defaulter they will be denied the use of ACSA and or ICA arbitration in addition to other membership sanctions.
3. We urge ACSA's continued cooperation with cotton and textile associations around the world to ensure the enforcement of contractual and letter of credit obligations.
4. We urge ACSA to continue their dialogue with the U.S. Trade Representative (USTR) to keep the USTR apprised of countries (and buyers) where default situations have occurred and local enforcement of arbitration awards has not been effective.
5. We commend ACSA/ICA efforts in educating Chinese markets to understand the International standard of contract performance.
6. We urge ACSA/ICA to continue in negotiations to enable merchant appointed controllers to attend onsite weightment survey for Chinese destined shipments.
7. Urge ACSA to continue dialog and establish rules for weighbridge terms.

TRADE TERMS

1. Urge ACSA to pursue the harmonization of trade terms through the adoption, by all importing markets, of the Rules and Arbitration procedures of the International Cotton Association. Further, urge all members, whenever possible, to make contracts based on the Rules and Arbitration procedures of the International Cotton Association.
2. We strongly support the efforts of ACSA/AMCOT China Committee in their work with the appropriate Chinese authorities in developing trade rules and arbitration guidelines that will protect the interest of both the buyer and seller.

3. We urge ACSA/USTR to continue engaging with China AQSIQ in relation to the March 15, 2009 import registration requirement. We understand there are new requirements under AQSIQ decree 151 and urge ACSA to work with AQSIQ to ensure the requirements do not become more onerous, AQSIQ should establish a procedure of appeal which would allow importers to defend any adverse findings or rulings.
4. We urge ACSA to investigate the inconsistent and unfavorable results of CIQ inspections for both weight and quality and to report the results of such investigation to the members.
5. Request that ACSA recommend that CCI review all industry default lists prior to extending invitations for CCI functions or any other official function (i.e. USDA Standards Conference) that foreign attendees are invited. We recommend any mill listed on a default list be excluded from any ACSA/CCI function.
6. We oppose the establishment of HVI value differences between ACSA, ICA and other cotton associations and urge USDA standards be maintained as the universal standard.
7. We urge USDA to work in conjunction with export community to improve flexibility in issuance of phytosanitary certificates. We oppose any efforts to establish a procedure whereby phytosanitary certificates can only be issued in one predetermined company or firm name. We urge the USDA to request all importing countries, ~~especially Turkey~~, to honor phytosanitary certificates for thirty days from the date of issuance.
8. Green Card Sales: We recommend that members include a clause in green card sales contracts Stating: "Quality is final in accordance with USDA classification."
9. We urge ACSA/CCI to work to eliminate GMO restrictions with Turkey and other consuming countries.
10. Urge ACSA/USTR to oppose any tariff on US cotton.

GSM 102

1. We urge the USDA to maintain this historically useful program to those countries that need assistance in purchasing US cotton, especially during periods of available surplus. It is instrumental in maintaining uninterrupted shipments of US cotton to our important export customers. We continue to urge that USDA/FAS simplify documentation procedures and requirements and to issue payment guarantees in a more timely manner.

TRADE FLOW AND CONTAMINATION

1. Support NCC policy of "provision to increase cotton flow".
2. Urge NCC/ACSA to increase efforts to reduce contamination on US cotton.
3. Urge TCA members to report any incidents on contamination on the NCC website.

DOMESTIC MILLS AFFAIRS

- I. We recommend that members include in their domestic sales contracts the wording “Southern Mill Rules, as amended”.
- II. We recommend that mills study the Southern Mill Rules to ensure that they are aware of their responsibilities concerning margins, rejections, approval times, carrying charges, and bale condition.
- III. We urge domestic mills to be flexible with their delivery times, and be willing to accept deliveries a day prior to or a day after the scheduled appointment.
- IV. We recommend that mills have personnel readily available for scheduling and verifying deliveries as in many cases shipments are delayed because the one contact person is not available.

FUTURES CONTRACT COMMITTEE REPORT

The Committee recommends the adoption of the following policy resolutions:

1. MERGER OF THE CFTC WITH THE SEC:

Urge that the U.S. Congress continue the CFTC as an independent regulatory agency with full authority over all forms of futures and options trading and that the CFTC not be merged with the SEC or other regulatory agency or federal department.

2. DODD FRANK

We strongly urge Congress to provide the necessary funding for CFTC to carry out the rule making and oversight provisions stipulated in the Dodd Frank Act and prioritize the use of such funds for regulatory initiatives most critical to implementation of the Act.

3. USER FEE ON FUTURES AND OPTIONS TRANSACTIONS

Support a small but meaningful transaction fee be established to discourage high frequency trading abuse and enhance CFTC regulation.

4. POSITION LIMITS RULEMAKING

Urge the CFTC and Congress to address commercial end user issues when finalizing the rule on position limits. Continue to work with ICE, other exchanges and other trade associations to highlight the issues with the proposed rule and the severe impact its adoption would have on commercial end users.

TCA has the following issues with the proposed rule on position limits:

Bona Fide Hedging – the CFTC has limited the definition of bona fide hedging in the proposed rule and has set forth a specific, narrow list of enumerated hedging positions that will be recognized as bona fide hedging positions. Within the CFTC’s proposed position limits rule, the Commission has chosen to focus solely on the absolute price risk of a transaction with a counterparty, and is not considering the multitude of risks in the commercial operations of enterprises. For example, because of the narrow definition of bona fide hedging, the CFTC has advised ICE that it will not allow ICE to grant spot month hedge exemptions for on-call contracts.

Anticipatory Hedging - the proposed definition of bona fide hedging enumerates only 2 anticipatory hedges that would qualify as a bona fide hedge: unfilled anticipated requirements and unsold anticipated production. The CFTC imposes a 12 month restriction in the hedging of unfilled anticipated requirements and unfilled anticipated production, which conflicts with the hedging programs of many entities. The fact that the futures market is listed for 36 months reflects the need to expand the time restriction beyond 12 months. Additionally, the proposed rule eliminates anticipatory merchandising, even

though anticipatory merchandising was specifically included in the Commodity Exchange Act, as amended by Dodd-Frank.

Gross vs. Net Hedging – the proposed rule suggests that to qualify for the economically appropriate test, a commercial enterprise must consider all of its exposures when doing a risk reducing transaction and thus the commercial enterprise cannot take into account exposures on a legal entity, division, trading desk, or even on an asset basis. Rather, all exposures must be consolidated and then analyzed as to whether or not the transaction reduces the risk to the entire enterprise. This new interpretation by the CFTC substitutes a governmentally imposed “one-size-fits-all” risk management paradigm for a company conducting its own prudent risk management in light of its own unique facts and circumstances.

5. HEDGE EXEMPTIONS

Currently, ICE Futures US grants hedge exemptions under the supervision of the CFTC. TCA urges the CFTC and Congress to allow the continuation of this practice.

6. RESTRICTIONS ON SPECULATIVE ACTIVITY OF INDEX FUNDS WITH HEDGE EXEMPTIONS

Require that an index fund with a hedge exemption restrict its position in a commodity to the dollar allocation or the percentage of funds allocated to that commodity as defined in the fund’s prospectus and recorded with the CFTC. Further, any variation should be subject to speculative position limits, and that such funds should report their cash positions on a weekly basis.

7. SEPARATE REPORTING CATEGORIES FOR NON-TRADITIONAL HEDGERS

Require that all non-traditional hedge accounts, those not involved in the commercial enterprise of physically trading bales of cotton, be reported as a separate individual category.

8. HEDGE MARGIN LEVELS

That only those involved in the commercial enterprise of physically trading commodities shall be eligible for hedge margin levels.

9. CERTIFICATION CLASSIFICATION

TCA supports the continued implementation developed by the ICE Futures US Cotton Committee and approved by the Exchange Board, under which bales that meet the quality and age parameters set by the Exchange can be registered as tenderable against the Cotton No. 2 contract based upon the Smith Doxey classing results of the bale and without requiring certified classing of the bale.

Encourage ACSA to study expansion of “sweet spot” certification requirements, specifically with regard to digital length requirement and the 6-month window to utilize Smith-Doxey certificate.

10. TAXATION OF COMMODITY FUTURES TRANSACTIONS

That the Congress maintain the IRS Code Section 1256-tax treatment of commodity futures transactions.

11. MARGIN FUTURES TO FUTURES & OPTIONS TO OPTIONS SETTLEMENTS

Require that the ICE and its clearing members adhere to the practice of margining futures to futures settlements and options to option settlements.

12. STUDY IMPACT BEFORE INCREASING SPECULATIVE POSITION LIMITS

Urge the CFTC to study the impact on price discovery and volatility, prior to any additional increases above current levels in speculative position limits in the single months or all months. In finalizing the position limits rule, urge the CFTC to consider the impact on liquidity across all trading months with the goal of incentivizing liquidity out the curve.

13. ICE NO. 2 CONTRACT

We urge the ICE to consider the following:

- That increased margin requirements not be retroactive.
- In accordance with ICE rules, we support halting options trading when the lead futures month is trading at a synthetic price that is equal to two times the daily price limit currently in effect for the lead month; and should the futures trade off the daily limit, then options trading shall be reopened.
- That Speculative Position Limits not be increased above the levels currently in effect unless approved by the Cotton Contract Specifications Committee.
- That ACSA oppose an increase in the speculative limits for the spot month pending study and review.
- That no additional delivery points be established.
- That it not increase the number of deliverable grades.
- Except for registration on Smith Doxey class, the practice of sampling for certification at interior warehouses not be permitted.
- Recommend that strict standards for bale conditions be maintained and enforced. We support ACSA’s concern regarding certified bales with experimental or trial bagging and ties.

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- That the Cotton Delivery Committee review the penalties for delivery defaults to determine whether the penalties for non-compliance with the Delivery Rules are sufficient to discourage and deter contract defaults.
- That it maintain the delivery of certificated stocks via electronic warehouse receipts.
- Recommend that all certificated stocks show the state or area of growth.
- Recommend that any changes in the rules, terms, procedures, or trading practices not be instituted without prior approval of the cotton committee.
- Urge CFTC to discontinue the weekly on-call sales report.

14. CUSTOMER PROTECTION:

TCA urges the CFTC to maintain the policy as amended by the final rule titled “Residual Interest Deadline for Futures Commission Merchants” published on March 24, 2015 in the Federal Register. ACSA believes this final policy has the appropriate time interval for customer margin receipt by an FCM and balances the need for customer protection without leading to prefunding of margin accounts. We further believe this policy is less likely to result in concentration of FCM or lead to smaller FCM with less capital not being able to survive.

COMMITTEE ON INSURANCE

- I. We remind merchant members that expert insurance does not cover foreign matter and/or contamination of bales. (i.e. plastic module wrap.)
- II. We recommend TCA discuss with TCGA proper commercial solutions to contaminated bale defects.
- III. We urge our Association to recommend to its membership and ginning associates that ginners of baled cotton maintain sufficient general liability insurance to meet their obligations to the end users. This would include products liability/completed operations and product recall coverages. Possible consequences for failing in their responsibilities as ginners are charge backs and/or subrogation
- IV. We strongly remind cotton warehousemen of their responsibility to issue EWRs only on receipt of clean and merchantable cotton. This duty also extends to maintaining and shipping baled cotton in merchantable condition irrespective of storage location. Possible consequences for failing in their responsibilities as warehousemen are charge backs and/or subrogation. We also encourage merchants to examine warehouse tariffs and the practices of warehouses for compliance with these duties.
- V. We recommend shippers review their insurance policies as respects coverage for imports of baled cotton into the U.S.
- VI. We urge shippers review warehouse tariffs and/or obtain evidence of coverage from warehouses showing policy limits sufficient to cover projected bale capacity. We urge warehouses to reflect in their tariffs the actual coverage in place, including deductibles and exclusions adequate for inventory capacity.
- VII. We recommend members carefully review warehouse tariffs with special attention to the time limitation for presentation of damage claims. Note that unreasonably short notification periods, although stated, may be legally unenforceable. If damage is suspected, we recommend giving immediate notice to the warehouse.
- VIII. Given the rescission of the BMC-32 (the mandatory insurance requirement for motor truck carriers for interstate shipping), we recommend that shippers require proof of full cargo and liability coverage from truckers hauling their cotton and cotton samples. All exclusions and deductibles should be identified as well.
- IX. We urge members to be aware of the potential problems associated with containerized shipments and encourage all segments of the industry to improve the process of bale inspection prior to stuffing containers, giving particular attention to bale count.
- X. We recommend shippers be aware of their responsibility for country damage under ICA

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rules and that they review their insurance coverage annually with respect to this exposure.

- XI. We recommend shippers work closely with mill buyers in all markets to facilitate the process of reporting claims on cotton received in damaged condition.
- XII. We recommend that both merchants and warehouses review their insurance coverage regularly with special attention to limits, deductibles and exclusions.
- XIII. We recommend that state governments, the USDA, the CCC and ICE require that their warehouse license standards include property coverage against “all risks” including flood. We also recommend that these entities ensure that the amount of insurance coverage provided by approved and/or licensed warehouses be adequate to fully cover the interests of the holders of EWRs at all times.
- XIV. We recommend that the basis of valuation for non-certificated cotton be spot value at the time of loss or damage.
- XV. We recommend that the basis of valuation for certificated cotton be the certificated value at the time of loss or damage.
- XVI. We recommend that shippers using third party warehouses or approved certification warehouses in foreign countries fully review, verify and maintain a copy of the insurance policy and title documentation for the consignment warehouse.
- XVII. We recommend that the cotton trade be aware of the potential problems with bandless bales and in particular the responsibility and/or liability in the event of mishandling or opening. We recommend that further study be done with respect to these bales.

COMMITTEE ON NATIONAL & STATE AFFAIRS

NATIONAL AFFAIRS

- 1A. Continue to urge USDA and Congress to be mindful of payment limits and AGI limits and monitor the impacts on the industry. Work with the USDA on regulatory developments of the 2014 Farm Bill to insure it does not impair orderly marketing and flow of cotton. Maintain support for legislation to exempt marketing loan gains from payment limitations.
- 1B. 2018 Farm Bill – Work closely with Congress and the Administration to implement legislation that provides support to the Texas/US cotton industry and its supply chain to improve its competitiveness.
 - Actively work with all parties to ensure a timely Farm Bill is in place, by the end of the 2014 Farm Bill.
 - Create sound logic for a strong Effective Price to be used under the Price Loss Coverage (PLC) if cotton is viewed as a title commodity.
 - Ensure Payment Yields for cotton under the PLC are properly identified.
 - Maintain the Marketing Loan; encourage the Loan rates to be calculated based on the historical meaning, the average variable cost to grow cotton.
 - Recommend that USDA/FSA designate a definition and standards for USA Sustainable cotton as part of the rules to participate in the USDA Farm programs. Additionally, work with USDA/AMS and FSA, along with EWR to create a marker that flows with the Permanent Bale Identification and the HVI classing data, that would create a code on the FSA Loan Premium and Discount schedule.
 - Support the Economic Adjustment Assistance programs at ~~3~~ 3.25 cents/lb.
 - Strengthen crop insurance programs to allow a secure safety net for farmers during US disaster years or global price distortions.
 - Maintain support for legislation using Marketing Certificates to assist in exempting marketing loan gains from payment limitations.
 - Re-authorization of the GSM102 program at \$5 billion

- Support the re-authorization of the Marketing Access Program (MAP) and Foreign Market Development (FMD) Program.
- We urge CFTC to discontinue on-call weekly sales report.
- TCA strongly urges the NCC to continue efforts to inform and provide further information and data in making the case to Congress of the importance to the cotton industry of the shipping performance recommendations, and that these provisions be included in the Ag Nutrition Act of 2018 HR (2).

2. RECONCENTRATION OF LOAN COTTON:

To enhance the competitiveness of U.S. cotton we urge the CCC to immediately repeal the 75-day limit on storage credits when CCC loan collateral is moved to any approved CCC warehouse.

3. SPOT MARKET DATA:

We recommend discussions with AMS in regards to the availability of spot market data for micronaire premiums/discounts for longer staple lengths with the goal of reviewing the need for a split between staples 33 and 34 or staples 34 and 35.

4. USDA MARKET FUNDING:

We recommend that USDA make full use of the funding authorized by Congress to assist in maintaining and expanding the consumption of U.S. cotton.

5. AWP TRANSPORTATION COSTS:

Recommend the formula used to calculate the AWP use the actual cost of transportation, with an annual review and adjustments, if necessary, in the transportation differential. Encourage FSA to coordinate with FAS to ensure that the top 20 exporters are surveyed annually. Request FSA to provide a two week notice when the AWP transportation differential is adjusted.

6. ELECTRONIC PROCESSING & REDEMPTION OF LOAN COTTON:

With the implementation of the EWR system and its adoption by the CCC for loan cotton, we recommend that FSA make full use of the private sector to expedite the establishment of an electronic processing and redemption system for Form A and Form G cotton.

We urge the USDA and other Federal Agencies to utilize electronic filing, processing, and response for the many documents, which are currently done manually. These documents include:

- ☐ Phytosanitary Certificate to USDA-APHIS
- ☐ ELS Competitiveness filings to the USDA-CCC
- ☐ Export Sales Report
- ☐ Export Declaration and other documents to the U.S. Customs Department
- ☐ GSM Loan documents

We urge CCC to allow redemption of ELS Cotton via the COPS System.

7. STANDARDIZED REDEMPTION PROCEDURES:

Request that the FSA thoroughly train all employees to adhere to the standardized loan redemption procedures.

8. BENEFICIAL INTEREST:

We recommend that members review all "Option to Purchase" contract language for conformance with FSA/USDA Regulations pertaining to "Beneficial Interest" in the cotton to assure that the cotton maintains its eligibility for the loan or for loan deficiency payments (LDP).

9. SALE OF CCC OWNED COTTON:

We recommend that CCC-owned Upland and ELS cotton be catalogued as soon as forfeited and auctioned without reserve every week with a re-class and reweigh at the option of the buyer. For Upland cotton, the minimum acceptable bid should be the lesser of the current market value or the AWP. Further, the Seam be required to list all warehouse charges due on cotton listed for sale in the CCC catalog, and that USDA make available all HVI bale information to potential bidders in addition to gin code, gin number, warehouse bale number, gross and net weights and type of bagging. Further, we recommend that the SEAM release all price information immediately following the sale to provide the industry and the AMS with current price information.

10. EXPORT CONTROLS OR EMBARGOES:

We oppose export controls or embargoes because they restrict free competitive access to world markets and diminish our reputation as reliable suppliers. Controls, licensing, or embargoes could discourage production and jeopardize the market-oriented policy of U.S. cotton.

11. FARM BARGAINING:

Legislation designed to regulate the prices of agricultural sales transactions or to permit collective bargaining between producer and processor for the purpose of establishing prices or the expansion of marketing orders would have adverse effects on the orderly marketing and processing of cotton. Any legislation of this kind must exclude cotton. Cotton producers enjoy the security and freedom of choice to market their cotton through the CCC loan, cooperatives, cotton gins, FOB merchants, shippers and mill buyers. The dynamic U.S. cotton marketing system provides producers with competitive bidding for their product, and the pricing mechanism advocated in farm bargaining legislation is not suitable to the cotton industry.

12. CCC WEEKLY LOAN FIGURES:

- a. We urge the Department to make a concerted effort to consolidate and keep these weekly figures current and accurate since trading decisions are based upon this timely information. Further, we request that cotton subject to CCC Form 605 - Option to Purchase Contracts be listed separately by State.
- b. We encourage CCC to report LSA and CMA cotton entered under Form G separate

13. RAW COTTON IMPORTS:

Recommend that US textile mills have access to adequate supplies of raw cotton imports as required by US production, price levels, or trade agreements.

14. RAW COTTON EXPORTS:

We urge the USDA and the USTR to oppose all efforts by foreign governments that would restrict or limit the access of U.S. raw cotton exports.

15. IMPLEMENTATION & ENFORCEMENT OF TEXTILE TRADE AGREEMENTS:

That improved and appropriate safeguards be implemented to fully protect the US textile industry from damaging import surges and that the products of the US textile industry be guaranteed full and timely access to all markets.

Urge that US Textile Industry is protected from unfair competition by textile mills that are in default on previous contracts by penalizing and restricting textile imports from any mill on an established International Default List.

Also require importers to report the source of their raw materials for purposes of

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enforcing this regulation. Study adding names of Principal to an advisory list when a mill is listed on a Default List.

Urge International Default List, list all mills in any country that restricts the listing of individual mills for any reason.

16. "MADE IN USA" LABEL:

We urge the Congress to require that the duty free and quota free privileges accorded the U.S. possessions and territories having "Commonwealth" status preclude the use of the "Made in USA" label if the textile products are not manufactured out of U.S. fabric made from U.S. yarn and sewn with U.S. thread. Further, we urge the strong enforcement of the Berry Amendment requiring that all military uniforms, apparel, and equipment be made in the USA.

17. HARBOR MAINTENANCE:

We oppose the imposition of harbor maintenance fees and urge the Congress to fund the dredging and maintenance of U.S. rivers and harbors from the general funds of the U.S. Treasury. Currently the harbor maintenance fees are collected on imports and funds held by the federal government.

18. RESTRICTIONS ON TRANSFER OF WAREHOUSE RECEIPTS - LICENSING OR BONDING OF COTTON MERCHANTS:

We strongly oppose state or federal legislation that impedes the marketability of cotton or which requires the bonding and/or licensing of cotton merchants as the cost of administering such requirements would be charged to the cost of handling cotton and result in reduced producer income.

19. CROP INSURANCE:

Urge the Congress and USDA to make full use of the private sector to develop a system of yield and revenue insurance that is not a production incentive and which will require strict adherence to normal planting, cultivation, and harvesting practices.

20. Urge USDA to release a monthly estimate of US Domestic Mill consumption.

21. Continue to support availability of Commodity Marketing Certificates as part of the Marketing Loan Program (MLP) available to all loan eligible commodities.

22. Urge CCC to actively inspect and regularly audit warehouses to improve competitiveness by identifying those warehouses that are shipping with unnecessary delays.

23. Encourage the US Trade Representatives to do a full impact study on any trade negotiations back to the farm level and consistently encourage the yarn forward clause, while eliminating any exemptions to the yarn forward in

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existing trade bills.

24. Urge the Department of Commerce Federal Trade Commission to act in the interest of all consumers to prevent deceptive and misleading the decision about fiber content when advertised electronically and print.

25. COTCO:

The Committee Organized for the Trading of Cotton is the political action committee of the American Cotton Shippers Association. COTCO provides member firms and their employees a direct voice in the elective process, thereby meriting your full support and participation. We urge that our members and their employees support this important endeavor that is vital to the survival of a competitive cotton market. Your personal contribution should be mailed to:

COTCO
88 Union Avenue, Suite 1204
Memphis, TN 38103

TEXAS STATE AFFAIRS

1. We support continued funding by the Texas Department of Agriculture (TDA) for the cost-share program establishing boll weevil control zones in the cotton producing area of the state.
2. We oppose any initiatives to the Texas legislature that provides for licensing or bonding of cotton merchants for the same reasons spell out in paragraph 22 of the National Affairs report.
3. We oppose any initiatives of the Texas legislature to place taxes on agriculture products and/or services.
4. Encourage TDA to reinstate funding for food and fiber research programs through State Universities.
5. We encourage the TDA reinstate full funding for reporting estimated crop production and harvested areas for each crop growing district prior to the legislative cuts enacted in 2012.
6. We recommend any State approved water project plan does not limit agrarian use of water for crop development.
7. We encourage our members and their employees to make personal contributions to the Texas Cotton Association Merchants Fund, which is the political action committee of the TCA. These funds are used to assist candidates who understand and support the cotton industry in Texas.

Texas Cotton Association
Cotton Merchants Fund
P. O. Box 765098
Dallas, TX. 75376-5098

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COMMITTEE ON PRIMARY MARKETING AND PUBLIC RELATIONS

- I. We urge TCA members to support only primary buyers and mill agents that are members of the federated associations that make up the American Cotton Shippers Association.

- II. We urge all electronic marketing boards to conduct business with members in good standings with TCA or members of the federated associations that establish the American Cotton Shippers Association.

- III. We recommend that all Texas warehouses include the Texas boll weevil maintenance fee as part of the receiving charges of warehouse tariff as it directly affects the primary marketing.

RULES AND BY-LAWS

A recommendation was made and unanimously approved by members in Executive Session to change the number of voting members required to constitute a quorum necessary to transact business in any meeting of this association whether Annual or Special.

ARTICLE V MEETINGS & VOTING

Section 1 Meetings of Members, Annual

A. There shall be an annual meeting of the members⁴ held each and every year. The Board of Directors is authorized to choose the site and dates of the annual conventions. The exact dates on which annual meetings shall be held will be determined by the Board of Directors and notice thereof must be mailed to each member at least ten (10) days in advance of the dates so fixed.

B. The Board of Directors shall each year set aside a sum at their discretion out of the funds of the Association, to be applied on the expense of an annual entertainment.

Section 2 Order of Business Session-At the annual meetings the following order of business shall be observed:

- A. Roll Call of Members
- B. Reading of Minutes of Preceding Meeting
- C. Reports of Secretary and Treasurer
- D. Reports of Standing Committees
- E. Reports of Special Committees
- F. Unfinished Business
- G. Miscellaneous/New Business
- H. Election of the President
- I. Election of the Board of Directors
- J. Receiving/Filing Invitations Holding Next Annual Meeting

Section 3 Special Meetings-Special meetings of members may be called by the President at his discretion, and it shall be his duty to call such meetings, upon written request by any ten members. Such meetings may be held at any time or place within the State; but no business shall be transacted at a special meeting other than that stated in the call, as the object thereof.

Section 4 Quorum-The presence, ⁵ in person or by written proxy of ten ⁶(8) members, five (5) of whom shall be Directors, shall constitute a quorum, for the transaction of business, at any meeting of members, whether Annual or Special.

⁴Changed by deleting "on or about the second Tuesday in March" and deleted old Clause B and changed designation of old Clause C to

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Clause B as adopted by 2/3's vote of the members at the 85th Anniversary Convention, May 3, 1996

⁵ Adopted at the 94th Annual Convention to add the wording in person or by written proxy and to add the words of members when referring to any meeting

⁶ Adopted at the 105th Annual Convention, 4/15/16, to change the number from 15 to 10 members necessary to constitute a quorum when referring to any meeting of members, Annual or Special. Subsequently, adopted by members in session at the 107th Annual Convention, 4/27/18, to change the number from 10 to 8 members necessary to constitute a quorum when referring to any meeting of members, Annual or Special.

Section 5 Who Entitled to Vote -Any member owning one or more memberships, of record on the books of the Association, in which all dues, assessments and other charges, have been previously paid, shall be entitled to vote at any meeting of members, but no member shall be entitled to more than one vote. Associate or Honorary Members shall not be entitled to vote or to be elected to any office of this Association.⁷

COMMITTEE ON STANDARDS, CLASSIFICATIONS & QUOTATIONS

STANDARDS AND CLASSIFICATIONS

- I.** We commend the USDA to more diligently call grass, bark, prep or other extraneous matter and make guides available to all classing offices for the benefit of classers and the trade.
- II.** We urge the USDA to evaluate our recommendation of adding codes on extraneous matter to ensure that all characteristics of each bale be fully noted by USDA classers, ie: more than one extraneous matter.
- III.** Recommend the trade continue the annual review of USDA standard boxes and urge the USDA to test the current crop year standard boxes for RD color and leaf to ensure agreement with USDA parameters.
- IV.** We commend USDA in their effort to keep classing results returned to gins and producers in a timely manner. We thank USDA for their continued cooperation in allowing trade committees to review cotton samples already classed.
- V.** We strongly urge any eligible reduction code for plastic contamination not be eligible for re-classification.
- VI.** We commend the USDA classing office for reporting the number of gins operating at the time of classing on their weekly report.

SPOT QUOTATIONS

- I.** Recommend that all members actively report spot quotations to AMS and include premiums and discounts for leaf, color, mic, GPT, etc., and report discounts, if any, for high base mic.
- II.** We recommend that the AMS/FSA examine the anomalies that can occur in establishing loan premiums and discounts due to the fact that not all spot markets quote all qualities. In the future, we recommend that USDA use the relative differences for such qualities quoted in the area in which such qualities are actively traded.
- III.** We recommend that the AMS Market News start managing East Texas, Oklahoma, and West Texas as basis markets.