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February 8, 2021

The Honorable Debbie Stabenow
Chairwoman
Senate Agriculture Committee
Washington, DC 20510

The Honorable David Scott
Chairman
House Agriculture Committee
Washington, DC 20515

The Honorable John Boozman
Ranking Member
Senate Agriculture Committee
Washington, DC 20510

The Honorable Glenn Thompson
Ranking Member
House Agriculture Committee
Washington, DC 20515

Dear Chairwoman Stabenow, Chairman Scott, and Ranking Members Boozman and Thompson:

The U.S. cotton industry continues to face yearlong, unprecedented disruptions caused by the COVID pandemic on supply chains and markets. The industry is very grateful for the assistance that Congress has provided to date for agricultural producers, including cotton farmers and U.S. textile manufacturers in previous COVID relief packages. This assistance was critically needed and is helping to address a portion of the losses experienced following the onset of COVID and the resulting business shutdowns and trade interruptions.

However, in addition to our industry requests to assist cotton farmers and textile mills, we have also consistently sought assistance for merchandisers and distributors of cotton as costs and risks accumulated due to sharply lower demand and business disruptions. The COVID pandemic caused a drastic slowdown in cotton use, resulting in additional carrying and logistical costs that include storage, interest, insurance, demurrage, detention, additional interior and ocean freight costs associated with destination displacement, and unanticipated other costs. Currently, port congestion and supply chain limitations are critical with empty container sailings continually adding costs and risks to U.S. cotton exporters. Industry estimates suggest that the combined impact of the delayed and cancelled cotton shipments resulted in unexpected market losses and additional direct costs as a result of COVID of at least \$700 million to date for U.S. cotton merchandisers.

In order to provide critically needed liquidity and offset a portion of the increased carrying charges and logistical costs, we are seeking support for merchandisers of U.S. cotton for the purpose of redeeming cotton on behalf of producers from the USDA marketing assistance loan program. The proposal details include:

- \$0.06 per pound redemption credit to be applied toward the loan redemption of cotton by a merchandiser;
- Credits available to each merchandising entity based on the quantity of bales of eligible inventory impacted from the 2019 crop and held in inventory by the merchandiser on March 31, 2020;
- Credit available for loan redemption of cotton from both the 2020 and 2021 crop years.

This requested assistance is not unlike the ongoing needs of the broader agricultural and food supply chains due to the disruptions wrought by COVID. While we recognize that the most recently enacted COVID relief measure included some discretionary authority and funding for the Secretary of Agriculture to assist in a number of areas, we are requesting that Congress include in the next COVID relief legislation language directing USDA to use its authority to provide much-needed financial relief to cotton merchandisers as outlined above.

Thank you for your continued strong support of U.S. agriculture and all industry stakeholders. We greatly appreciate your consideration of this request and look forward to working with you to address this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Fountain', written in a cursive style.

Kent Fountain
Chairman
National Cotton Council

cc: The Honorable Jeff Merkley, Chairman, Senate Appropriations Subcommittee on Agriculture
The Honorable John Hoeven, Ranking Member, Senate Appropriations Subcommittee on Agriculture
The Honorable Sanford Bishop, Chairman, House Appropriations Subcommittee on Agriculture
The Honorable Jeff Fortenberry, Ranking Member, House Appropriations Subcommittee on Agriculture