

News Release

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Program Announcement

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USDA ANNOUNCES PREVAILING WORLD MARKET PRICE AND USER MARKETING CERTIFICATE PAYMENT RATE FOR UPLAND COTTON

WASHINGTON, June 11, 1998 -- Keith Kelly, Executive Vice President of USDA's Commodity Credit Corporation, today announced the prevailing world market prices, adjusted to U.S. quality and location (adjusted world price or AWP), for Strict Low Middling (SLM) 1-1/16 inch (leaf grade 4, micronaire 3.5-3.6 and 4.3-4.9, strength 24-25 grams per tex) upland cotton (base quality), and the coarse count adjustments (CCA) in effect from 5:00 p.m. today through 3:59 p.m. Thursday, June 18. The user marketing certificate (Step 2) payment rate in effect from 12:01 a.m. Friday, June 12 through midnight Thursday, June 18 is 11.48 cents per pound.

This period represents Week 5 of the 6-week transition period from using current price quotations to using forward price quotations in calculating the AWP. The procedure was adopted to avoid a dramatic change in the AWP that could occur with no transition period due to differences between new and old crop price quotations. This procedure is also used to calculate the U.S. Northern Europe (USNE) price used to determine the maximum allowable Step 1 adjustment. For Week 5, the Northern Europe (NE) price equals [(NE current price) + (2 x NE forward price)]/3. The USNE price is calculated using a comparable formula. These transitional price calculations are not used for Step 2 determinations.

The Federal Agriculture Improvement and Reform Act of 1996 provides that the AWP may be further adjusted if: 1) the AWP is less than 115 percent of the current crop year loan rate for base quality upland cotton, and 2) the USNE price exceeds the NE price. This week, both conditions for this adjustment have been met, and it has been determined that this further adjustment to the AWP shall be 0.0 cents per pound.

This week's AWP and CCA are determined as follows:

<u>Adjusted World Price</u>	
NE Price	69.08
Adjustments:	
Avg. U.S. spot market location	12.08
SLM 1-1/16 inch cotton	1.90
Avg. U.S. location	0.14
Sum of Adjustments	<u>- 14.12</u>
ADJUSTED WORLD PRICE	54.96 cents/lb.

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This week, the needed quotations for coarse count cottons were unavailable for all five days. Thus, the coarse count adjustment is set equal to the adjustment of last week, zero.

Because the AWP for the period exceeds 51.92 cents per pound which is the base quality loan rate, the loan repayment rate during this period is equal to the loan rate, adjusted for the specific quality and location plus applicable interest and storage charges.

Step 2 payments are provided this week because, for four consecutive weeks, the USNE price has exceeded the NE price by more than 1.25 cents per pound and the AWP has not exceeded 130 percent of the loan rate for upland cotton. Relevant data for the Step 2 program follow:

Week	Fri/Thur Period Ending	AWP as %	USNE Price	NE Price	USNE	Step 2
		of 1997 Loan Rate 1/			Less NE Price	
..... cents/lb						
1	5/21/98	99.5	72.80	64.43	8.37	7.12
2	5/28/98	101.7	73.94	65.35	8.59	7.34
3	6/4/98	104.8	78.60	67.25	11.35	10.10
4	6/11/98	105.9	80.10	67.37	12.73	11.48

1/ The marketing year 1997 loan rate is 51.92 cents per pound.

The next announcement of the AWP, CCA and user marketing certificate payment rate will occur on Thursday, June 18 at 5 p.m.

Further program information is available from Wayne Bjorlie, (202) 720-7954, E-mail Wayne_Bjorlie@wdc.fsa.usda.gov

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