

**UPLAND COTTON ANNOUNCEMENT    June 1, 2006**

The Department of Agriculture's Commodity Credit Corporation announced the adjusted world price (AWP) for Strict Low Middling (SLM) 1-1/16 inch (leaf grade 4, micronaire 3.5-3.6 and 4.3-4.9, strength 25.5-29.4 grams per tex, length uniformity of 80-82 percent) upland cotton (base quality), adjusted to U.S. quality and location, the coarse count adjustment(CCA), the loan deficiency payment rate, and the user marketing certificate (Step 2) payment rate that will be in effect from 12:01 a.m., Eastern time, Friday, June 2, 2006, through midnight, Eastern time, Thursday, June 8, 2006. The next announcement of the AWP, CCA, LDP rate, and user marketing certificate payment rate for upland cotton will be on Thursday, June 8, 2006, at 5 p.m., Eastern time.

This period represents Week 3 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 an abrupt change in the AWP that could occur with no transition period due to the difference between the new and old crop price quotations. This procedure is also used to calculate the U.S. Northern Europe (USNE) price to determine the maximum allowable Step 1 adjustment. For Weeks 3 and 4, the blended Northern Europe (NE) price = [NE current price) + NE forward price]/2. The blended USNE is calculated using a comparable formula.

|   | <u>Cents/lb.</u> |
|---|------------------|
| <b>Adjusted World Price (AWP)</b> .....         | <b>42.88</b>     |
| <b>Coarse Count Adjustment (CCA)</b> .....      | <b>0.00</b>      |
| <b>Loan Deficiency Payment Rate</b> .....       | <b>9.12</b>      |
| <b>User Marketing Cert. Rate (Step 2)</b> ..... | <b>1.91</b>      |

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

|  |              |
|--|--------------|
| Blended NE Price .....   | 58.44        |
| Adjustments:   |              |
| Avg. U.S. spot market location .....                           | -11.30       |
| SLM 1-1/16 inch cotton .....                                   | -4.30        |
| Avg. U.S. location .....                                       | 0.04         |
| Sum of Adjustments .....                                       | -15.56       |
| <b>ADJUSTED WORLD PRICE</b> .....                              | <b>42.88</b> |
| NE Price .....   | 56.28        |
| NE Coarse Count Price .....                                    | -53.59       |
| Adjustment to SLM 1-1/32 inch cotton .....                     | -6.00        |
| <b>COARSE COUNT ADJUSTMENT</b> (Cannot be less than zero)..... | <b>0.00</b>  |

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The Farm Security and Rural Investment Act of 2002 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 0.00 cents per pound.

Sufficient data are not available to determine a blended CCA for the week. Regulations governing the CCA require that it be based on available data. Thus, the CCA of 0.00 cents per pound will be in effect through midnight, Eastern time, Thursday, June 8, 2006.

Because the AWP for the period is less than 52.00 cents per pound, which is the base quality loan rate, the loan repayment rate during this period is equal to the AWP, adjusted for the specific quality and location. The loan repayment amount will be further adjusted by the application of a storage credit, and interest will be waived.

Because the AWP is less than the 2005-crop loan rate, cash loan deficiency payments (LDPs) will be paid to eligible producers who agree to forego obtaining price support loans with respect to the 2005 crop. The payment rate of 9.12 cents per pound is the difference between the base loan rate of 52.00 cents and the AWP. The last day on which an LDP may be requested for 2005-crop cotton was May 31, 2006.

Step 2 payments are provided this week because, for four consecutive weeks, the USNE price has exceeded the NE price, and the AWP has not exceeded 134 percent of the loan rate for upland cotton. Relevant data for the Step 2 program follow:

| Week | Fri/Thur<br>Period<br>Ending | AWP as %<br>of 2005  |               |             | USNE<br>Less<br>NE Price | Step 2<br>Rate | Dates<br>Applicable |
|------|------------------------------|----------------------|---------------|-------------|--------------------------|----------------|---------------------|
|      |                              | Base Loan<br>Rate    | USNE<br>Price | NE<br>Price |                          |                |                     |
|      |                              | ..... cents/lb ..... |               |             |                          |                |                     |
| 1    | 05/11/06                     | 75.8                 | 57.65         | 54.98       | 2.67                     | 2.67           | (05/12-05/18)       |
| 2    | 05/18/06                     | 80.5                 | 58.30         | 55.69       | 2.61                     | 2.61           | (05/19-05/25)       |
| 3    | 05/25/06                     | 78.9                 | 56.75         | 55.16       | 1.59                     | 1.59           | (05/26-06/01)       |
| 4    | 06/01/06                     | 82.5                 | 58.19         | 56.28       | 1.91                     | 1.91           | (06/02-06/08)       |

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