

**UPLAND COTTON ANNOUNCEMENT July 27, 2006**

The Department of Agriculture's Commodity Credit Corporation (CCC) 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, July 28, 2006, through midnight, Eastern Time, Monday, July 31, 2006. CCC said that from 12:01 a.m., Eastern Time, August 1, 2006, a different AWP and CCA, as well as new loan deficiency payment rate, will be in effect because the new marketing year will begin. The next announcement of the AWP, CCA, and LDP rate for upland cotton will be on Thursday, August 3, 2006, at 5 p.m., Eastern Time.

The AWP and CCA in effect from 12:01 a.m., Eastern Time, Friday, July 28, 2006, through midnight, Eastern Time, Monday, July 31, 2006, are as follows:

	<u>Cents/lb.</u>
<b>Adjusted World Price (AWP)</b> .....	<b>44.45</b>
<b>Coarse Count Adjustment (CCA)</b> .....	<b>0.00</b>
<b>Loan Deficiency Payment Rate</b> .....	<b>7.55</b>
<b>User Marketing Cert. Rate (Step 2)</b> .....	<b>2.67</b>

The July 28-31 AWP and CCA are determined as follows:

NE Price .....	60.01
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>44.45</b>
Current NE Price .....	58.28
Current NE Coarse Count Price .....	- 56.82
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 AWP and CCA in effect from 12:01 a.m., Eastern Time, Tuesday, August 1, through midnight, Eastern Time, Thursday, August 3, 2006, are as follows:

	<u>Cents/lb.</u>
<b>Adjusted World Price (AWP)</b> .....	<b>44.10</b>
<b>Coarse Count Adjustment (CCA)</b> .....	<b>0.00</b>
<b>Loan Deficiency Payment Rate</b> .....	<b>7.90</b>

The Aug. 1-3 AWP and CCA are determined as follows:

NE Price .....	60.01
Adjustments:	
Avg. U.S. spot market location .....	-11.30
SLM 1-1/16 inch cotton .....	-4.65
Avg. U.S. location .....	0.04
Sum of Adjustments .....	-15.91

**ADJUSTED WORLD PRICE** ..... 44.10

Current NE Price .....	58.28
Current NE Coarse Count Price .....	-56.82
Adjustment to SLM 1-1/32 inch cotton .....	-6.55

**COARSE COUNT ADJUSTMENT** (Cannot be less than zero)..... **0.00**

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.

Because the AWP for each 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 in effect from 12:01 a.m. Eastern Time, Tuesday, August 1, and midnight Eastern Time, Thursday, August 3, is less than the 2006-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 2006 crop. The payment rate of 7.90 cents is the difference between the base loan rate of 52.00 cents and the AWP. May 31 was the last day producers could receive an LDP for 2005-crop cotton..

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 Period Ending	AWP as % of 2005		USNE		Step 2 Rate	Dates Applicable
		Base Loan Rate	USNE Price	NE Price	Less NE Price		
		..... cents/lb .....					
1	07/06/06	82.9	57.40	55.23	2.17	2.17	(07/07-07/13)
2	07/13/06	82.0	58.25	55.45	2.80	2.80	(07/14-07/20)
3	07/20/06	82.8	59.15	56.77	2.38	2.38	(07/21-07/27)
4	07/27/06	85.5	60.95	58.28	2.67	2.67	(07/28-07/31)

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