

UPLAND COTTON ANNOUNCEMENT January 19, 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) rate that will be in effect from 12:01 a.m., Eastern time, Friday, January 20, 2006, through midnight, Eastern time, Thursday, January 26, 2006. The next announcement of the AWP, CCA, LDP rate, and user marketing certificate payment rate for upland cotton will be on Thursday, January 26, 2006, at 5 p.m., Eastern time.

	<u>Cents/lb.</u>
Adjusted World Price (AWP)	43.58
Coarse Count Adjustment (CCA)	0.00
Loan Deficiency Payment Rate	8.42
User Marketing Cert. Rate (Step 2).....	2.84
This week's AWP and CCA are determined as follows:	
NE Price	59.06
Adjustments:	
Avg. U.S. spot market location ...	-11.22
SLM 1-1/16 inch cotton	-4.30
Avg. U.S. location	0.04
Sum of Adjustments	-15.48
ADJUSTED WORLD PRICE	43.58
NE Price	59.06
NE Coarse Count Price	-57.10
Adjustment to SLM 1-1/32 inch cotton	-6.00
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 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 8.42 cents per pound is the difference between the base loan rate of 52.00 cents and the AWP.

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 Dates Applicable
		Base Loan Rate	USNE Price	NE Price	USNE Less NE Price	
1	12/29/05	80.6	61.92	57.40	4.52	(12/30-01/05)
2	01/05/06	81.3	61.94	57.75	4.19	(01/06-01/12)
3	01/12/06	83.0	62.00	58.63	3.37	(01/13-01/19)
4	01/19/06	83.8	61.90	59.06	2.84	(01/20-01/26)

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