

For: State and County Offices

Cottonseed Payment Program Questions and Answers

Approved by: Deputy Administrator, Farm Programs



1 Cottonseed Payment Program

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Background

The Consolidated Appropriations Act, 2000 provides authority for the Secretary of Agriculture to provide payments to producers or first handlers of the 1999 crop of cottonseed.

Funding for this program is at a fixed level (\$80 million) from a portion of residual funds for the Market Loss Assistance Program. On February 29, 2000, the Secretary announced that he may use this authority to implement the Cottonseed Payment Program.

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Purpose

This notice provides questions and answers about the Cottonseed Payment Program.

<p>Disposal Date</p> <p>October 1, 2000</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices and LSA's</p>
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Questions and Answers

Program Administration**What are the responsibilities of State and County Offices?**

State and County Offices will not be involved in providing or processing CCC Cotton A-6's or payments under this program. CCC Cotton A-6's will be mailed from and returned to FSA in Washington, D.C. Payments will be made by EFT from Kansas City.

The only potential involvement by State or County Offices may be reviewing compliance of gins if the need arises.

Who will receive payments under this program?

All payments under this program will be initially distributed by USDA to gins. USDA's decision to make the payment to gins rather than producers is consistent with the statutory language and the objective of assisting those entities most directly affected by reduced seed prices. Generally, gins are directly affected by the level of seed prices because they retain proceeds from the sale of the cottonseed. In many cases, the program payment may be appropriately retained in its entirety by the gin.

Gins are required to share the payment with producers where circumstances warrant. CCC Cotton A-6 contains the following provision that must be accepted by the gin:

Applicant(s) agrees to share any payment with the producer of the cotton that was the basis of the payment to the extent that the effect of low cottonseed prices was borne by the producer rather than the gin. To the extent that such funds will go to individual producers, those funds will be considered to have been received by the applicant on behalf of such producers.

If gins increased their 1999-crop ginning fees to offset low seed prices and the incomes of producers were, thus, reduced, it may be appropriate for the gins to share payments with producers. If the receipts from the seed sale were agreed to be entirely for the producer, the payment must be remitted to the producer by the gin.

USDA has no knowledge of either the contractual terms between gins and producers affecting the receipts from 1999-crop cottonseed sales or how the effect of low cottonseed prices was actually distributed. Gins and producers know these terms and effects best and know an equitable distribution of the payment that meets the statutory intent. The recourse for producers dissatisfied with the distribution by the gin will be to make use of whatever private civil remedies they may possess against the gin.

Does USDA have authority to compel gins to share payments with producers?

USDA has authority to demand return of any payments disbursed to any applicant who does not adhere to agreed terms of CCC Cotton A-6.

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Questions and Answers (Continued)

Where are CCC Cotton A-6's available?

On June 6, 2000, FSA in Washington, D.C., mailed CCC Cotton A-6 to every gin that, according to AMS, ginned 1999-crop cotton. Gins that processed 1999-crop cotton but did not have it classed through AMS need to request CCC Cotton A-6 from FSA in Washington, D.C. The mailed CCC Cotton A-6 will have pre-entered the gin's numerical code and quantity of 1999-crop bales classed by AMS. Gins that do not receive CCC Cotton A-6 by June 12, 2000, the start of the application period, should contact Gene Rosera at 202-720-8481 for a duplicate application.

Should County Offices accept the completed CCC Cotton A-6?

No. CCC Cotton A-6 instructions specify that the application must be returned directly to FSA in Washington, D.C., by mail or private parcel delivery service. CCC Cotton A-6's must be received in Washington, D.C., no later than June 26, 2000.

Will payments be provided to cotton gins that are no longer in business?

Yes. Eligibility for payments under this program is based on 1999-crop cottonseed production. Gins that produced cottonseed from the 1999 crop, but subsequently closed, are eligible for payments if their CCC Cotton A-6 is otherwise acceptable.

Payment Amount and Rate Calculation**What level of funding is available for this program?**

\$80 million will be available for this program. In our press release dated February 29, 2000, we estimated the funding at \$74 million; however, that estimate has since been increased because other expenditures have not reached expected levels.

When will the payment rate be determined?

The payment rate (dollars per ton of seed) will be determined after all CCC Cotton A-6's have been received and the total quantity of cottonseed for payment has been estimated. The payment rate will be determined by dividing the \$80 million in program funds by the national total quantity of cottonseed for payment. A preliminary estimate is that the rate may be about \$12.30 per ton (\$80 million divided by 6.5 million tons of seed). If the quantity of seed for payment is greater than 6.5 million tons, the rate would be less than \$12.30 per ton.

Will there be an announcement of the payment rate?

Yes. When all CCC Cotton A-6's have been received, the payment rate can be calculated and will be announced by press release. The level of payments to individual gins will not be disclosed.

How will the tonnage of seed for payment be calculated?

On CCC Cotton A-6, gins will be asked to certify (1) the number of bales of cotton ginned from the 1999 crop and (2) the lint weight of those bales. The lint weight in tons multiplied times a seed factor of 1.59 equals the seed tonnage for payment for that applicant. All the tonnages calculated will be added together to determine the national total tonnage for payment.