

WTO setback disappoints NCC

A WORLD Trade Organization compliance panel sided with Brazil recently in its claim the United States is not doing enough to end what it claims are unfair practices inherent in U.S. farm policy. The action brought a strong note of disappointment from the National Cotton Council on behalf of its members.

The NCC says Brazil's claims and the real-world situation of the cotton market don't add up.

Key Points

- Cotton organization concerned with recent WTO panel position.
- NCC says U.S. cotton industry has changed drastically.
- Washington can still appeal any ruling by the WTO.

"We reiterate our concerns expressed when reports regarding the interim report surfaced. If the panel

ruled for Brazil on its serious prejudice claims, we believe that it would be contrary to the facts in the world cotton market both then and now," notes Mark Lange, president and CEO of NCC.

U.S. actions already taken to comply with the first WTO panel ruling have had a significant impact on U.S. cotton and U.S. cotton producers, he adds. Since the U.S. eliminated cotton's Step 2 program, U.S. cotton acreage is down 29% for 2007 and the lowest since 1989.

In addition, U.S. exports have declined significantly.

"It is incomprehensible that a WTO panel could make a finding of serious prejudice against the United States when the international cotton market is strong. World prices are up, and production outside of the United States is estimated to be a record high of 102 million bales, including record crops in Brazil and India.

"In the face of these facts, the U.S. cotton industry is left to puzzle the basis of such a decision," Lange says.

While the setback is a victory for Brazil, the U.S. Trade Representative in Washington, D.C., says the ruling can still be appealed.

The U.S. has argued that it sufficiently overhauled its cotton program when it scrapped two export credit guarantee programs and last year repealed the so-called Step 2 cotton-marketing program that made payments to exporters and domestic mill users as compensation for buying higher-priced American cotton.

Still complaining

But Brazil said Washington's continued support for American cotton producers ensured artificially high production and export levels, hurting Brazilian and African producers.

The South American country has reserved the right to impose annual sanctions of up to \$4 billion on the U.S., but would probably seek less in retaliatory measures because the U.S. has removed some of the offending subsidies.

If a likely appeal also goes against U.S. cotton programs, Washington can challenge the level of retaliation the WTO authorizes.

A WTO-proposed draft released in July calls on the U.S. to make an 82% cut in what it terms "trade-distorting handouts" to American cotton farmers as part of a new global trade pact.



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Performance of PHY 370 WR Versus Five Varieties in 78 Replicated University OVTs

Variety	Lint Yield lbs/Acre	Turnout %	Mic	Length inches	Strength g/tex	Unif %
PHY 370 WR	1,318	41.1	4.6	1.11	30.1	83.6
DP 445 BR	1,301	41.0	4.5	1.15	30.7	83.8
ST 4575BR	1,288	40.5	4.6	1.11	29.7	83.5
ST 5242BR	1,288	40.3	4.4	1.11	28.4	83.3
DP 444 BR	1,277	41.2	4.1	1.13	29.3	83.7
FM 960B2R	1,149	39.0	4.5	1.16	32.7	83.0

Data represents averages of 78 replicated university OVTs (Official Variety Trials), which contained all of these varieties, conducted in 2005 in AL, GA, LA, MD, NC, SC, TN and VA, and in 2006 in AR, GA, MO, MS, NC and TN (available preliminary data as of Nov. 30, 2006). For 2006, lint quality data was available from most trials in GA, MD and NC.

Performance of PHY 370 WR Versus Two Varieties in Seven Replicated Texas A&M University CVTs

Variety	Lint Yield lbs/Acre	Turnout %	Mic	Length inches	Strength g/tex	Unif %
PHY 370 WR	1,231	39.5	4.4	1.07	28.4	82.6
DP 445 BR	1,216	40.2	4.2	1.11	28.8	83.1
FM 960B2R	1,150	37.5	4.2	1.14	30.3	82.0

Data represents averages of seven replicated Texas A&M University CVTs (Cotton Variety Trials) conducted in 2006 in Hidalgo, Matagorda, Nueces, Robertson, San Patricio, Uvalde and Williamson counties. Preliminary data.

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