

TO AMEND THE UNITED STATES COTTON FUTURES ACT
TO EXCLUDE CERTAIN COTTON FUTURES CONTRACTS
FROM COVERAGE UNDER SUCH ACT

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JUNE 23, 2015.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed
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Mr. CONAWAY, from the Committee on Agriculture,
submitted the following

R E P O R T

[To accompany H.R. 2620]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 2620) to amend the United States Cotton Futures Act to exclude certain cotton futures contracts from coverage under such Act, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. EXCLUDING CERTAIN COTTON FUTURES CONTRACTS FROM COVERAGE UNDER UNITED STATES COTTON FUTURES ACT.

(a) IN GENERAL.—Subsection (c)(1) of the United States Cotton Futures Act (7 U.S.C. 15B(c)(1)) is amended—

(1) by striking “except that any cotton futures contract” and inserting the following: “except that—

“(A) any cotton futures contract”;

(2) in subparagraph (A) (as designated by paragraph (1)), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new subparagraph:

“(B) any cotton futures contract that permits tender of cotton grown outside of the United States is excluded from the coverage of this paragraph and section to the extent that the cotton grown outside of the United States is tendered for delivery under the cotton futures contract.”.

(b) APPLICATION.—The amendments made by subsection (a) shall apply with respect to cotton futures contracts entered into on or after the date of the enactment of this Act.

BRIEF EXPLANATION

H.R. 2620 amends the United States Cotton Futures Act to exclude cotton future contracts involving cotton that is grown outside of the United States and tendered for delivery from coverage under the Act, including the requirement that the cotton be classified by the U.S. Department of Agriculture (USDA).

PURPOSE AND NEED

The U.S. cotton industry relies significantly on the futures market—primarily the U.S. Cotton No. 2 futures contract traded on the Intercontinental Exchange (ICE)—for price discovery, risk management, and other business needs of the industry. While continuing to recognize the importance of the No. 2 contract to the U.S. cotton industry, some market participants are calling for a new “world cotton contract” that is tailored to address risks faced in the global cotton market.

The Cotton Futures Act of 1916 requires that for any cotton futures contract listed on a U.S. futures exchange, every cotton bale tendered under the contract must be sampled and classed by U.S. Department of Agriculture (USDA) employees. In addition to classing by USDA, the No. 2 contract currently permits cotton grown within the United States to be delivered at only five U.S. cities: Galveston, TX; Houston, TX; Dallas/Ft. Worth, TX; Greenville, SC; and Memphis, TN. Because its delivery points are only in the United States, some argue that the No. 2 contract does not adequately reflect price movements in foreign markets. In addition, classing and sampling requirements of the Cotton Futures Act present a commercial challenge for the cotton industry in hedging risk associated with the purchase and transport of foreign-grown cotton, as no U.S. exchange can accept deliveries of any foreign-grown cotton at any delivery point, unless the USDA has classed it.

The intent of H.R. 2620 is to enable the listing of futures contracts on U.S.-based exchanges that allow for the delivery of cotton from multiple origins, including the United States, and to a variety of global delivery points, also including the United States. The legislation would exempt cotton grown outside of the U.S. from the classing and sampling requirements of the Cotton Futures Act. This would allow such cotton to be classed in either a USDA testing lab in the U.S. or an international lab recognized and designated by ICE rules and policies (such as ICA-Bremen located in Germany) and at a designated sampling rate less than 100%, if so approved by ICE.

The legislation would not change the treatment of U.S.-origin cotton for delivery on the current No. 2 contract or a new world contract, namely that all U.S. cotton would remain subject to Cotton Futures Act requirements that all bales to be delivered must be sampled 100% and classed by the USDA exclusively.

While this bill clears the way for the development of new contracts, the Committee stresses the importance of ensuring the No. 2 cotton contract is not changed and continues to serve as a means of price discovery and hedging for the U.S. cotton industry. The Committee expects USDA and the Commodity Futures Trading

Commission (CFTC) to monitor the development of any new cotton contract and the impact it has on the U.S. cotton industry.

SECTION-BY-SECTION ANALYSIS OF LEGISLATION

Section 1. Excluding certain cotton futures contracts from coverage under such Act

Subsection (a) amends the Act to exclude any cotton futures contract that permits the tender of cotton grown outside of the United States from the definition of “cotton futures contract” to the extent that the cotton grown outside of the United States is tendered for delivery under the cotton futures contract.

Subsection (b) amends the Act to provide that the amendment in subsection (a) will only apply to cotton futures contracts entered into on or after the date of enactment of this legislation.

COMMITTEE CONSIDERATION

I. HEARINGS

No hearings were held by the Committee on H.R. 2620, legislation to amend the United States Cotton Futures Act.

II. FULL COMMITTEE

The Committee on Agriculture met, pursuant to notice, with a quorum present, on June 17, 2015, to consider H.R. 2620, legislation to amend the United States Cotton Futures Act.

H.R. 2620 was placed before the Committee for consideration. Without objection, a first reading of the bill was waived and it was open for amendment at any point.

Chairman Conaway, Mr. Peterson, Mr. Austin Scott, and Mr. David Scott were recognized for statements. Mr. David Scott offered a technical amendment, which passed by a voice vote. Mr. Peterson was recognized to offer a motion that the bill H.R. 2620, as amended, be reported favorably to the House with recommendation that it do pass. The motion was subsequently approved by voice vote.

At the conclusion of the meeting, Chairman Conaway advised Members that pursuant to the Rules of the House of Representatives Members had until June 19, 2015, to file any supplemental, minority, additional, or dissenting views with the Committee.

Without objection, staff was given permission to make any necessary clerical, technical or conforming changes to reflect the intent of the Committee. Chairman Conaway thanked all the Members and adjourned the meeting.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the House of Representatives, H.R. 2620 was reported by voice vote with a majority quorum present. There was no request for a recorded vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Agriculture’s oversight findings and recommendations are reflected in the body of this report.

BUDGET ACT COMPLIANCE (SECTIONS 308, 402, AND 423)

The provisions of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(1) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and sections 402 and 423 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 2015.

Hon. K. MICHAEL CONAWAY,
*Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2620, a bill to amend the United States Cotton Futures Act to exclude certain cotton futures contracts from coverage under such Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

KEITH HALL.

Enclosure.

H.R. 2620—A bill to amend the United States Cotton Futures Act to exclude certain cotton futures contracts from coverage under such Act

Under current law, all cotton tendered for delivery against a futures contract traded on an exchange listed in the United States must be sampled and graded by the Department of Agriculture. As a consequence, nearly all cotton tendered for such contracts is domestically grown; cost considerations, among other things, limit the amount of foreign-grown cotton that is submitted for grading. H.R. 2620 would exempt certain futures contracts for cotton from those sampling and grading requirements. Specifically, cotton grown outside of the United States that is tendered against a futures contract traded on a United States exchange would not need to be graded by the Agricultural Marketing Service (AMS), the federal agency that tests and grades cotton.

Based on information from the AMS, CBO estimates that implementing the bill would not have a significant effect on the agency's workload or discretionary costs, because the agency does not expect a significant increase in requests to grade cotton grown outside of the United States. Further, under current law the AMS is authorized to collect fees to cover the cost of providing classification services; therefore, assuming appropriations action consistent with that authority, CBO estimates that the net cost to implement H.R. 2620 would not be significant. Enacting H.R. 2620 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 2620 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

PERFORMANCE GOALS AND OBJECTIVES

H.R. 2620 does not authorize funding, therefore, clause 3(c)(4) of rule XIII of the rules of the House of Representatives is inapplicable.

COMMITTEE COST ESTIMATE

Pursuant to clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the Committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the Congressional Budget Act of 1974.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104-1).

FEDERAL MANDATES STATEMENT

The Committee adopted as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104-4).

EARMARK STATEMENT REQUIRED BY CLAUSE 9 OF RULE XXI OF THE RULES OF THE HOUSE OF REPRESENTATIVES

H.R. 2620 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

DUPLICATION OF FEDERAL PROGRAMS

This bill does not establish or reauthorize a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

DISCLOSURE OF DIRECTED RULE MAKINGS

The Committee does not believe that the legislation directs an executive branch official to conduct any specific rule making proceedings within the meaning of 5 U.S.C. 551.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

UNITED STATES COTTON FUTURES ACT**SEC. 1952. COTTON FUTURES CONTRACTS.**

(a) **SHORT TITLE.**—This section may be cited as the “United States Cotton Futures Act”.

(b) **REPEAL OF TAX ON COTTON FUTURES.**—Subchapter D of chapter 39 of title 26 (relating to tax on cotton futures) is repealed.

(c) **DEFINITIONS.**—For purposes of this section—

(1) **COTTON FUTURES CONTRACT.**—The term “cotton futures contract” means any contract of sale of cotton for future delivery made at, on, or in any exchange, board of trade, or similar institution or place of business which has been designated a “contract market” by the Commodity Futures Trading Commission pursuant to the Commodity Exchange Act and the term “contract of sale” as so used shall be held to include sales, agreements of sale, and agreements to sell, [except that any cotton futures contract] *except that—*

(A) any cotton futures contract that, by its terms, is settled in cash is excluded from the coverage of this paragraph and Act[.]; and

(B) any cotton futures contract that permits tender of cotton grown outside of the United States is excluded from the coverage of this paragraph and section to the extent that the cotton grown outside of the United States is tendered for delivery under the cotton futures contract.

(2) **FUTURE DELIVERY.**—The term “future delivery” shall not include any cash sale of cotton for deferred shipment or delivery.

(3) **PERSON.**—The term “person” includes an individual, trust, estate, partnership, association, company, or corporation.

(4) **SECRETARY.**—The term “Secretary” means the Secretary of Agriculture of the United States.

(5) **STANDARDS.**—The term “standards” means the official cotton standards of the United States established by the Secretary pursuant to the United States Cotton Standards Act, as amended.

(d) **BONA FIDE SPOT MARKETS AND COMMERCIAL DIFFERENCES.**—

(1) **DEFINITION.**—For purposes of this section, the only markets which shall be considered bona fide spot markets shall be those which the Secretary shall, from time to time, after inves-

tigation, determine and designate to be such, and of which he shall give public notice.

(2) DETERMINATION.—In determining, pursuant to the provisions of this section, what markets are bona fide spot markets, the Secretary is directed to consider only markets in which spot cotton is sold in such volume and under such conditions as customarily to reflect accurately the value of middling cotton and the differences between the prices or values of middling cotton and of other grades of cotton for which standards shall have been established by the Secretary; except that if there are not sufficient places, in the markets of which are made bona fide sales of spot cotton of grades for which standards are established by the Secretary, to enable him to designate at least five spot markets in accordance with subsection (f)(3), he shall, from data as to spot sales collected by him, make rules and regulations for determining the actual commercial differences in the value of spot cotton of the grades established by him as reflected by bona fide sales of spot cotton, of the same or different grades, in the market selected and designated by him, from time to time, for that purpose, and in that event differences in value of cotton of various grades involved in contracts made pursuant to subsection (f)(1) and (2) shall be determined in compliance with such rules and regulations. It shall be the duty of any person engaged in the business of dealing in cotton, when requested by the Secretary or any agent acting under his instructions, to answer correctly to the best of his knowledge, under oath or otherwise, all questions touching his knowledge of the number of bales, the classification, the price or bona fide price offered, and other terms of purchase or sale, of any cotton involved in any transaction participated in by him, or to produce all books, letters, papers, or documents in his possession or under his control relating to such matter. A person complying with the preceding sentence shall not be liable for any loss or damage arising or resulting from such compliance.

(3) WITHHOLDING INFORMATION.—Any person engaged in the business of dealing in cotton who shall, within a reasonable time prescribed by the Secretary or any agent acting under his instructions, willfully fail or refuse to answer questions or to produce books, letters, papers, or documents, as required under paragraph (2) of this subsection, or who shall willfully give any answer that is false or misleading, shall, upon conviction thereof, be fined not more than \$500.

(e) FORM AND VALIDITY OF COTTON FUTURES CONTRACTS.—Each cotton futures contract shall be a basis grade contract, or a tendered grade contract, or a specific grade contract as specified in subsections (f), (g), or (h) and shall be in writing plainly stating, or evidenced by written memorandum showing, the terms of such contract, including the quantity of the cotton involved and the names and addresses of the seller and buyer in such contract, and shall be signed by the party to be charged, or by his agent in his behalf. No cotton futures contract which does not conform to such requirements shall be enforceable by, or on behalf of, any party to such contract or his privies.

(f) BASIS GRADE CONTRACTS.—

(1) CONDITIONS.—Each basis grade cotton futures contract shall comply with each of the following conditions:

(A) CONFORMITY WITH REGULATIONS.—Conform to the regulations made pursuant to this section.

(B) SPECIFICATION OF GRADE, PRICE, AND DATES OF SALE AND SETTLEMENT.—Specify the basis grade for the cotton involved in the contract, which shall be one of the grades for which standards are established by the Secretary, except grades prohibited from being delivered on a contract made under this subsection by subparagraph (E), the price per pound at which the cotton of such basis grade is contracted to be bought or sold, the date when the purchase or sale was made, and the month or months in which the contract is to be fulfilled or settled; except that middling shall be deemed the basis grade incorporated into the contract if no other basis grade be specified either in the contract or in the memorandum evidencing the same.

(C) PROVISION FOR DELIVERY OF STANDARD GRADES ONLY.—Provide that the cotton dealt with therein or delivered thereunder shall be of or within the grades for which standards are established by the Secretary except grades prohibited from being delivered on a contract made under this subsection by subparagraph (E) and no other grade or grades.

(D) PROVISION FOR SETTLEMENT ON BASIS OF ACTUAL COMMERCIAL DIFFERENCES.—Provide that in case cotton of grade other than the basis grade be tendered or delivered in settlement of such contract, the differences above or below the contract price which the receiver shall pay for such grades other than the basis grade shall be the actual commercial differences, determined as hereinafter provided.

(E) PROHIBITION OF DELIVERY OF INFERIOR COTTON.—Provide that cotton that, because of the presence of extraneous matter of any character, or irregularities or defects, is reduced in value below that of low middling, or cotton that is below the grade of low middling, or, if tinged, cotton that is below the grade of strict middling, or, if yellow stained, cotton that is below the grade of good middling, the grades mentioned being of the official cotton standards of the United States, or cotton that is less than seven-eighths of an inch in length of staple, or cotton of perished staple, or of immature staple, or cotton that is “gin cut” or reginned, or cotton that is “repacked” or “false packed” or “mixed packed” or “water packed”, shall not be delivered on, under, or in settlement of such contract.

(F) PROVISIONS FOR TENDER IN FULL, NOTICE OF DELIVERY DATE, AND CERTIFICATE OF GRADE.—Provide that all tenders of cotton under such contract shall be the full number of bales involved therein, except that such variations of the number of bales may be permitted as is necessary to bring the total weight of the cotton tendered within the provisions of the contract as to weight; that, on the fifth business day prior to delivery, the person making the tender shall give to the person receiving the same

written notice of the date of delivery, and that, on or prior to the date so fixed for delivery, and in advance of final settlement of the contract, the person making the tender shall furnish to the person receiving the same a written notice or certificate stating the grade of each individual bale to be delivered and, by means of marks or numbers, identifying each bale with its grade.

(G) PROVISION FOR TENDER AND SETTLEMENT IN ACCORDANCE WITH GOVERNMENT CLASSIFICATION.—Provide that all tenders of cotton and settlements therefor under such contract shall be in accordance with the classification thereof made under the regulations of the Secretary by such officer or officers of the Government as shall be designated for the purpose, and the costs of such classification shall be fixed, assessed, collected, and paid as provided in such regulations and shall be credited to the account referred to in section 55 of this title. The Secretary may provide by regulation conditions under which cotton samples submitted or used in the performance of services authorized by this act shall become the property of the United States and may be sold and the proceeds credited to the foregoing account: Provided, That such cotton samples shall not be subject to the provisions of chapters 1 to 11 of title 40 and division C (except sections 3302, 3307(e), 3501(b), 3509, 3906, 4710, and 4711) of subtitle I of title 41. The Secretary is authorized to prescribe regulations for carrying out the purposes of this subparagraph and the certificates of the officers of the Government as to the classification of any cotton for the purposes of this subparagraph shall be accepted in the courts of the United States in all suits between the parties to such contract, or their privies, as prima facie evidence of the true classification of the cotton involved.

(2) INCORPORATION OF CONDITIONS IN CONTRACTS.—The provisions of paragraphs (1)(C), (D), (E), (F), and (G) shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandums evidencing the same, at or prior to the time the same is signed, the phrase "Subject to United States Cotton Futures Act, subsection (f)."

(3) DELIVERY ALLOWANCES.—For the purpose of this subsection, the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basic grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with paragraph (1)(F), for the delivery of cotton on the contract, established by the sale of spot cotton in the spot markets of not less than five places designated for the purpose from time to time by the Secretary, as such values were established by the sales of spot cotton, in such designated five or more markets. For purposes of this paragraph, such values in the such spot markets shall be based upon the standards for grades of cotton established by the Secretary. Whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades, such value shall be fixed in accordance with rules and

regulations which shall be prescribed for the purpose by the Secretary.

(g) TENDERED GRADE CONTRACTS.—

(1) CONDITIONS.—Each tendered grade cotton future contract shall comply with each of the following conditions:

(A) COMPLIANCE WITH SUBSECTION (F).—Comply with all the terms and conditions of subsection (f) not inconsistent with this subsection; and

(B) PROVISION FOR CONTINGENT SPECIFIC PERFORMANCE.—Provide that, in case cotton of grade or grades other than the basis grade specified in the contract shall be tendered in performance of the contract, the parties to such contract may agree, at the time of the tender, as to the price of the grade or grades so tendered, and that if they shall not then agree as to such price, then, and in that event, the buyer of said contract shall have the right to demand the specific fulfillment of such contract by the actual delivery of cotton of the basis grade named therein and at the price specified for such basis grade in said contract.

(2) INCORPORATION OF CONDITIONS IN CONTRACT.—Contracts made in compliance with this subsection shall be known as “subsection (g) Contracts”. The provisions of this subsection shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandum evidencing the same, at or prior to the time the same is signed, the phrase “Subject to United States Cotton Futures Act, subsection (g)”.

(3) APPLICATION OF SUBSECTION.—Nothing in this subsection shall be so construed as to authorize any contract in which, or in the settlement of or in respect to which, any device or arrangement whatever is resorted to, or any agreement is made, for the determination or adjustment of the price of the grade or grades tendered other than the basis grade specified in the contract by any “fixed difference” system, or by arbitration, or by any other method not provided for by this section.

(h) SPECIFIC GRADE CONTRACTS.—

(1) CONDITIONS.—Each specific grade cotton futures contract shall comply with each of the following conditions:

(A) CONFORMITY WITH RULES AND REGULATIONS.—Conform to the rules and regulations made pursuant to this section.

(B) SPECIFICATION OF GRADE, PRICE, DATES OF SALE AND DELIVERY.—Specify the grade, type, sample, or description of the cotton involved in the contract, the price per pound at which such cotton is contracted to be bought or sold, the date of the purchase or sale, and the time when shipment or delivery of such cotton is to be made.

(C) PROHIBITION OF DELIVERY OF OTHER THAN SPECIFIED GRADE.—Provide that cotton of or within the grade or of the type, or according to the sample or description, specified in the contract shall be delivered thereunder, and that no cotton which does not conform to the type, sample, or description, or which is not of or within the grade specified in the contract shall be tendered or delivered thereunder.

(D) PROVISION FOR SPECIFIC PERFORMANCE.—Provide that the delivery of cotton under the contract shall not be effected by means of “setoff” or “ring” settlement, but only by the actual transfer of the specified cotton mentioned in the contract.

(2) INCORPORATION OF CONDITIONS IN CONTRACT The provisions of paragraphs (1)(A), (C), and (D) shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the document or memorandum evidencing the same, at or prior to the time the same is entered into, the words “Subject to United States Cotton Futures Act, subsection (h)”.

(3) APPLICATION OF SUBSECTION.—This subsection shall not be construed to apply to any contract of sale made in compliance with subsection (f) or (g).

(i) LIABILITY OF PRINCIPAL FOR ACTS OF AGENT.—When construing and enforcing the provisions of this section, the act, omission, or failure of any official, agent, or other person acting for or employed by any association, partnership, or corporation within the scope of his employment or office shall, in every case, also be deemed the act, omission, or failure of such association, partnership, or corporation, as well as that of the person.

(j) REGULATIONS.—The Secretary is authorized to make such regulations with the force and effect of law as he determines may be necessary to carry out the provisions of this section and the powers vested in him by this section.

(k) VIOLATIONS.—Any person who knowingly violates any regulation made in pursuance of this section, shall, upon conviction thereof, be fined not less than \$100 nor more than \$500, for each violation thereof, in the discretion of the court, and, in case of natural persons, may, in addition be punished by imprisonment for not less than 30 days nor more than 90 days, for each violation, in the discretion of the court except that this subsection shall not apply to violations subject to subsection (d)(3).

(l) APPLICABILITY TO CONTRACTS PRIOR TO EFFECTIVE DATE.—The provisions of this section shall not apply to any cotton futures contract entered into prior to the effective date of this section or to any act or failure to act by any person prior to such effective date and all such prior contracts, acts or failure to act shall continue to be governed by the applicable provisions of the Internal Revenue Code of 1954 as in effect prior to the enactment of this section. All designations of bona fide spot markets and all rules and regulations issued by the Secretary pursuant to the applicable provisions of the Internal Revenue Code of 1954 which were in effect on the effective date of this section, shall remain fully effective as designations and regulations under this section until superseded, amended, or terminated by the Secretary.

(m) AUTHORIZATION.—There are authorized to be appropriated such sums as may be necessary to carry out this section.