

2018 National Cotton Council Report to Members



The Memphis-based National Cotton Council communicates united industry positions on various issues to appropriate government bodies, and works for U.S. policy that assures worldwide competitiveness and protects member's income. The NCC has compiled an impressive record of advocacy for an industry in which farms and businesses directly involved in the production, distribution and processing of cotton employ more than 125,000 workers and produce direct business revenue of more than \$21 billion. Accounting for the ripple effect of cotton through the broader U.S. economy, direct and indirect employment surpasses 280,000 workers with economic activity of almost \$100 billion.

This report is sponsored by Farm Credit.



Joint Message from the Chairman and the President

Throughout 2017, the National Cotton Council conveyed its views on numerous legislative, regulatory and trade issues that could **influence U.S. cotton industry members' ability to compete** in the global marketplace.

Among specific NCC policy priorities were: securing short-term economic assistance for cotton producers; communicating needs for ensuring long-term viability including policy recommendations for the next farm bill; providing input on tax reform proposals; stepping up **contamination prevention efforts; crafting a strategy for enhancing U.S. cotton's sustainability message;** and improving U.S. cotton flow.

Regarding economic assistance, the NCC shared its farm bill priorities at Congressional hearings – **including the consistent call for cotton to be a part of the next farm bill's Title I programs.** A strong voice was given to seeing that cottonseed policy could be included as part of the final agriculture appropriations measure and the Administration was asked to authorize another ginning cost-share program. After the House passed a supplemental spending bill late in 2017 that established seed cotton as a covered commodity under the **2014 farm bill's Title I ARC/PLC programs,** the NCC stated that it would continue working with the Senate and the House to ensure enactment of a final legislative measure that included cotton policy.



NCC Chairman Ronnie Lee, right, and NCC President/CEO Gary Adams were steadfast in conveying U.S. cotton industry concerns to **lawmakers in the nation's capital.**

In the trade arena, the NCC was very active in emphasizing to the Administration, Congress and others the importance of exports and sound trade policy. A significant effort was **made to protect U.S. cotton supply chain's** interests by providing the Administration with reasons for maintaining the integrity of the North American Free Trade Agreement throughout those negotiations.

Social media use increased to enhance news **and information dissemination,** and the NCC's

newly designed website, www.cotton.org, offered a better organized and more navigable experience for its members to access important information.

The NCC joined other agricultural organizations in support of various regulatory reform measures and continued to vigorously manage regulatory issues with the potential for **undermining U.S. cotton. From “Waters of the U.S.” to Workplace Injuries and Illnesses, the NCC was diligent in commenting on proposed rules and working closely with EPA, the FDA, OSHA and other agencies to ensure our industry’s business climate was not compromised and operations impeded.**

In compliance with a NCC resolution, the COTTON USA Sustainability Task Force was created. It set goals to build upon the strong environmental gains our industry already has achieved over the past 30 years.

Cotton Council International ramped up its promotional effort with the introduction of an educational campaign centered around why U.S. cotton is “The Cotton The World Trusts.” The effort proved successful as COTTON USA launched its new “WHAT’S NEW IN COTTON™” initiative with the objective of inspiring U.S. cotton’s global customers to 1) think about the many opportunities involved with using U.S. cotton and 2) ultimately specify more U.S. cotton usage in their products.

The Cotton Foundation Board of Trustees approved funding for 12 general projects totaling \$202,000. Approved projects covered research and educational efforts related to pest management, sustainability, contamination detection, agronomic practices, regulatory issue information gathering, and education.

More details of the NCC’s 2017 activities follow under the major headings of Legislative Affairs, Trade, Communications, Technical, Cotton Council International and The Cotton Foundation.

Ronnie Lee, Chairman (2017)
Gary Adams, President/Chief Executive Officer



Ronnie Lee
Chairman (2017)



Gary Adams
President/Chief Executive Officer

Farm Policy/Legislative Affairs

Major activities carried out during 2017

Legislative Affairs

The NCC, along with other agricultural organizations, sent a letter to President Donald Trump urging him to designate a senior member of the White House staff and/or Office of Rural Policy to focus specifically on issues affecting rural America.

As part of the Rebuild Rural Coalition, the NCC co-signed a letter to President Trump **encouraging him to prioritize rebuilding rural America's infrastructure. That Coalition sent another letter to the President in support of the Presidential Advisory Council on Infrastructure asking that panel's membership to include representatives with specific experience and expertise in rural infrastructure. The letter noted that, "it is imperative that this Council study and make recommendations regarding the appropriate level of federal and private-sector investment in infrastructure projects impacting both urban and rural America including surface transportation, aviation, locks and dams, ports and waterways, agricultural research, broadband, energy, healthcare, housing and water"** A short time later, the President signed an Executive Order on Promoting Agriculture and Rural Prosperity in America.

Appreciation was conveyed to Cotton Belt Congressional Members for their help in getting **the cotton industry's key funding priorities included in Congress' omnibus appropriations bill.** Included was \$2.89 billion for agricultural research with a \$1.5 million increase for the three Agricultural Research Service ginning laboratories. The Agriculture and Food Research Initiative received a \$25 million increase. The Joint Cotton Pests Account for boll weevil and **pink bollworm eradication efforts was fully funded at \$11.52 million. USDA's Market Access Program (MAP) and Foreign Market Development (FMD) program were fully funded at \$200 million and \$34.5 million, respectively.** The NCC also joined other members of the Coalition to Promote U.S. Agricultural Exports on letters to House and Senate leadership of the Agriculture Appropriations Subcommittee urging their strong support for maintaining vital funding for the MAP and FMD in the FY18 Agriculture Appropriations bill.

After the FY18 Agriculture Appropriations bill was approved by the Senate Appropriations Committee mid-year, the NCC issued a news release in which NCC Chairman Ronnie Lee thanked Committee Chairman Thad Cochran (R-MS) for his strong leadership to help ensure a cottonseed policy could be included as part of the final agriculture appropriations measure considered by Congress later in the year. If enacted, the cottonseed policy, which included a **number of key provisions from the industry's cottonseed proposal,** would apply beginning with the 2018 cotton crop. The Committee's bill also included funding of \$11.52 million for the Joint Cotton Pests Account for boll weevil and pink bollworm eradication activities and additional funding for the USDA Agricultural Research Service ginning laboratories.

Following the Administration's release of its budget proposal, the NCC issued a statement saying it was prepared to work closely with Congress to ensure that any budget and funding bills approved by Congress continue to provide the resources necessary for policies that promote a viable cotton industry, including an effective safety net in the 2018 farm bill.



The NCC was active in a coalition **that supported the “Cultivating Revitalization by Expanding American Agricultural Trade and Exports Act” (S. 1839).**

The Coalition to Promote U.S. Agricultural Exports, in which the NCC participates, sent a letter to House Agriculture Committee members urging

them to support an increase in funding for both MAP and FMD in the next farm bill. The letter cited both programs' provision of critical funding for Cotton Council International to conduct the U.S. cotton industry's export promotion activities. **The NCC also worked with the Coalition and Congress to gain support for S. 1839, the “Cultivating Revitalization by Expanding American Agricultural Trade and Exports Act,” which would increase funding for MAP to \$400 million annually and FMD to \$69 million annually, with the increases phased in over a five-year period. This was a companion bill to H.R. 2321.**

The NCC joined other agricultural organizations on a letter to the chairmen and ranking members of the House and Senate appropriations committees urging them to match the high demand for the Farm Service Agency's (FSA) farm loan programs with an appropriate level of resources in the FY18 appropriations package. The letter noted that “access to credit, specifically credit provided through the FSA farm loan programs, was critical.”

The NCC submitted comments to the *Federal Register* notice of USDA's Reorganization proposal saying it believed the proposal would better align USDA's mission areas and improve USDA's effectiveness in meeting U.S. cotton producers' needs. The comments also noted that cotton producers frequently work with the FSA and Natural Resources Conservation Service staff regarding farm and conservation programs and that the NCC believes having both housed in one mission area would improve the customer experience for producers.

The NCC and other commodity and agricultural groups conveyed support for the Capital for Farmers and Ranchers Act. Introduced by Senators John Boozman (R-AR), Luther Strange (R-AL) and John Hoeven (R-ND), the bill called for increasing the maximum loan amount that an individual farmer or rancher can receive **under the FSA's Direct and Guaranteed Loan Programs for Farm Operating Loans and Farm Ownership Loans.**

After the NCC joined 23 other organizations on a letter to House Members urging support for the Commodity End-User Relief Act (H.R. 238), the House passed the bill which eventually was approved by the Senate. The measure reauthorized the Commodity Futures Trading **Commission (CFTC) through 2021, set the agency's funding level for each fiscal year, and** provided relief from some of the most problematic regulations implemented because of the 2010 Dodd-Frank legislation. The bill also made statutory changes to protect end users of commodities and provide producers/end users with access to tools necessary for managing their risks.

Later, the NCC joined with other agricultural organizations on a letter to Senate Agriculture, Nutrition & Forestry Committee leadership in support of the nomination and confirmation of Christopher Giancarlo as CFTC chairman. A letter of support from 25 organizations, including the NCC, also was sent to that Committee in support of the three CFTC nominees -- Dawn Stump, Brian Quintenz and Rostin Behnam.

The NCC and 15 other groups, including the National Council of Textile Organizations, sent a letter to the House Rules Committee opposing an amendment filed by Rep. Mark Sanford (R-SC) to the National Defense Authorization bill. The amendment proposed to waive the Berry Amendment requirement of the Department of Defense for only purchasing U.S. content and U.S.-made apparel and footwear.

Tax Reform

The NCC joined more than 150 other organizations on a letter to House and Senate leaders **supporting the "Death Tax Repeal Act of 2017" (H.R. 631).** Later, another letter to Speaker Paul Ryan (R-WI), Majority Leader Mitch McConnell (R-KY) and the respective chairmen of the House and Senate tax writing panels noted that the groups support the inclusion of full and permanent repeal of the federal estate tax as part of comprehensive tax reform because: 1) repealing the death tax would spur job creation and grow the economy; 2) the death tax contributes a very small portion of federal revenues; 3) a super-majority of likely voters support eliminating the death tax; and 4) ultimately, the death tax is unfair.

As Congress began to consider comprehensive tax reform in late spring, the NCC joined other agricultural organizations on four letters to House Ways and Means Committee leaders conveying support for other specific tax code provisions. The letters focused on: 1) the use of cash accounting; 2) Section 199 expensing; 3) capital gains; and 4) the interest deduction provision.

NCC President/CEO Gary Adams, along with representatives from other agricultural organizations, discussed agriculture's priorities in tax reform with Treasury Secretary Steven Mnuchin. Following the meeting, Adams said in a statement that, "It is critical to maintain key features such as interest deductions and cash accounting, while also eliminating the death tax and reducing the capital gains tax rate."

Prior to House passage of the “Tax Cuts and Jobs Act” (H.R. 1), which included language eliminating the estate tax, the NCC joined 180 other groups on a letter to House leadership expressing concern on elimination of the Section 199 deduction important to agricultural cooperatives. After the Senate passed its tax reform legislation, a House-Senate conference crafted the final legislation which was approved and sent to the President for his signature. The NCC sent a letter to McConnell and Ryan thanking them for crafting and for shepherding through Congress that legislation, saying it would spur economic growth by lowering taxes, **and simplifying the tax code for America’s cotton producers and associated businesses.**

USDA

The NCC was among more than 600 groups from across the agricultural community which sent a letter to Senators Pat Roberts (R-KS) and Debbie Stabenow (D-MI), the chairman and ranking member of the Senate Agriculture, Nutrition, and Forestry Committee, urging that Committee to support and encourage an expeditious confirmation of former Georgia **Governor Sonny Perdue to be the Secretary of Agriculture. After Perdue’s confirmation, the NCC issued a statement in which NCC Chairman Lee said, “Sonny Perdue is highly qualified to lead USDA and he can help ensure a strong and viable agricultural and rural economy.”**

The NCC later signaled its support of Agriculture Secretary Perdue's: 1) creation of an undersecretary for trade and foreign agricultural affairs at USDA -- a recognition of the ever-increasing importance of international trade to American agriculture; 2) renaming of the Farm Production and Conservation mission area to have a customer focus and meet USDA constituents in the field; and 3) elevation of USDA's rural development agencies to report directly to the Secretary in recognition of the need to help promote rural prosperity.

The NCC joined 16 other agricultural groups on a letter to President Trump urging expeditious confirmation of the nomination process for USDA appointees and joined with 36 other agriculture organizations on a letter to Senators Roberts and Stabenow endorsing 1) Bill Northey for USDA Undersecretary of Farm Production and Conservation and 2) Gregory Ibach as USDA Undersecretary for Marketing and Regulatory Programs.

The NCC was among another group of food and agricultural industry stakeholders which sent another letter to Senators Roberts and Stabenow stating that the organizations looked **forward to their committee’s upcoming action to consider USDA sub-cabinet nominations.** The group noted that those nominees would bring to USDA critical leadership, technical expertise and fundamental knowledge, and would serve as invaluable assets in executing core mission areas.

The NCC also linked up with other agricultural groups on a letter to the Senate in support of several nominees for positions at USDA. A letter supporting American Soybean Association CEO Steve Censky for the Deputy Secretary post at USDA was sent to Senators from 110 groups as part of the U.S. Food and Agriculture Dialogue for Trade. Another letter from 44 organizations was sent to Senators Roberts and Stabenow in support of Censky. In addition,

23 organizations sent a letter to that Committee in support of the nomination of Dr. Sam Clovis for USDA Under Secretary for Research, Education, and Economics.

Farm Policy



NCC Chairman Ronnie Lee testified about **cotton's needs in the next farm bill at a hearing** conducted by the House Agriculture **Committee's Subcommittee on General Farm** Commodities and Risk Management.

Early in the year, the NCC joined more than 500 organizations on a letter to the leadership of both the House and Senate budget committees as well as the appropriations committees strongly urging them to reject calls for additional cuts to policies within the jurisdiction of the Senate Committee on Agriculture, Nutrition and Forestry or the House Committee on Agriculture.

After the White House released its “skinny budget” proposal which included a 21 percent cut to USDA discretionary spending compared to current funding, the NCC joined other commodity groups on a letter to the leadership of the House and Senate appropriations and budget committees urging more budget resources for the next farm bill. The letter noted the inadequate safety net for cotton and dairy farmers and the challenges faced by all commodity groups.

The NCC also joined a coalition of commodity, specialty crop, conservation and lending groups in efforts to protect crop insurance. Letters were sent to: 1) the House and Senate appropriations and budget committees, 2) Agriculture Secretary-Designate Perdue, and 3) Office of Management and Budget Director Mick Mulvaney.

Late in the year, the NCC prepared to submit comments to USDA's Risk Management Agency (RMA) regarding changes to crop insurance policies for the 2018 crop year that RMA published in a final rule in the *Federal Register*. Following passage of the 2014 farm law, the NCC had been advocating for those changes it said would make crop insurance more accessible and tailored to specific producer needs. Among major changes for 2018 in the rule were a 1) focus on choice of unit structure based on the risk management needs of producers, replant provisions and conservation compliance certification; and 2) revision of the definition of “replanted crop” to address how to calculate production to count in the event of a claim if

the insurance provider determines it is not practical to replant and the producer plants the acreage to the same insured crop.

The NCC capitalized on opportunities to share its farm bill priorities at several Congressional hearings.

Tom Lahey, a Kansas cotton and grain producer, testified at the Senate Committee on Agriculture, Nutrition, and Forestry's first hearing in preparation for the next farm bill. He focused on the critical need for cotton to be brought back into the Title I commodity policies of the farm bill and why crop insurance alone cannot provide effective risk management.

In testimony presented at "The Next Farm Bill: Commodity Policy Part II," a hearing conducted by the House Agriculture Committee's Subcommittee on General Farm Commodities and Risk Management, NCC Chairman Lee told the Subcommittee that the NCC looks forward to passage of a farm bill that effectively addresses the needs of all producers of all commodities in all regions. He specifically stated that cotton must be brought back into the farm law's Title I commodity policy as that would enable cotton producers to access risk management tools that provide protection during prolonged periods of depressed market conditions.

Several NCC leaders addressed a farm bill listening session conducted by House Agriculture Committee Chairman Mike Conaway (R-TX) at the University of Florida. Those included Matt Coley, a Georgia producer/ginner; Sonny Davis, a Florida producer; and Ben Evans and Kent Fountain, both Georgia ginner. All highlighted the importance of cotton regaining eligibility for the Title I support programs of the farm bill. They reminded the Committee of the need for open markets for cotton trade, support for the MAP and FMD program, and maintaining the crop insurance and conservation programs. They emphasized that producers could not withstand any further tightening of payment limits and eligibility tests and that the rules governing "actively engaged in farming" needed revisiting. **These points were reiterated by cotton leaders at House Agriculture Committee listening sessions in San Angelo, Texas, and Modesto, California.**

In mid-year, Nick McMichen, an Alabama cotton producer, testified on behalf of the NCC at the Senate Agriculture, Nutrition & Forestry Committee's hearing, "Commodities, Credit, and Crop Insurance: Perspectives on Risk Management Tools and Trends for the 2018 Farm Bill." **He stated that it is imperative that cotton be included in the next farm bill's Title I programs so cotton producers can have access to the same complement of risk management tools available to other crops.**

The NCC conveyed disappointment that the FY17 omnibus appropriations bill did not include cottonseed policy developed by the U.S. cotton industry in consultation with Congress. In its statement, NCC Chairman Lee said the cottonseed policy is: 1) broadly supported by the entire U.S. cotton industry, as well as many other farm bill stakeholders; 2) budget neutral with the costs offset only by cotton-related provisions; 3) vetted and supported by a broad, bipartisan group in Congress; and 4) designed to help facilitate development of the 2018 farm bill.

The NCC and 82 other cotton interest organizations sent to President Trump a letter requesting economic relief for U.S. cotton farming families with a ginning cost share program. The letter stated that, "The cost share program will provide policy stability in the absence of a comprehensive policy for cotton in the existing farm bill." Another letter sent to the President and signed by 1,605 agricultural lenders, agribusinesses, and other rural businesses, strongly recommended the Administration use its discretionary authority to assist in this situation and specifically authorize assistance similar to the program that assisted with 2015 ginning costs.



Dwight Jackson, left, a NCC Member Services representative, helped coordinate a tour for Agriculture Secretary Sonny Perdue, center, and House Agriculture Committee Chairman Mike Conaway (R-TX) to inspect damage to cotton and other operations from **Hurricane Harvey along Texas' Gulf Coast.**



The NCC helped coordinate a tour **along Texas' Gulf Coast for** Agriculture Secretary Perdue and House Agriculture Committee Chairman Conaway (R-TX) to inspect damage to cotton and other operations from Hurricane Harvey. Perdue and Conaway also met with representatives from the NCC and Lamesa Cotton Growers in West Texas. The pair toured an area gin and cotton farms and held discussions with industry leaders on issues confronting cotton. NCC Vice

Chairman Ron Craft emphasized the need for getting cotton back into the **farm bill's Title I** and for a ginning cost share program for the 2016 crop.

Late in the year, the House passed a Supplemental Disaster funding bill that 1) would establish seed cotton as a covered commodity under the 2014 Farm Bill Title I ARC/PLC programs with a Reference Price of \$0.367/lb. and 2) include a one-time opportunity to update payment yields along with provisions that will convert generic base acres to decoupled, covered commodity bases. The NCC issued a statement in which Chairman Lee noted, "**NCC has been working with Congress for over two years to seek a legislative solution** to improve the effectiveness of the cotton safety net in the current farm bill. Our industry greatly appreciates the strong leadership of Chairman Conaway (R-TX), Chairman Aderholt (R-AL), Ranking Member Bishop (D-GA), Ranking Member Peterson (D-MN), and Rep. Arrington

(R-TX) to help advance this important policy through the House. Cotton producing families across the Cotton Belt are continuing to suffer with low prices and increased input costs, compounded this year by natural disasters in major cotton-producing areas.”

In other activity, the NCC:

- issued a news release saying it appreciated President Trump’s appointment of Ray Starling to the position of Special Assistant to the President for Agriculture, Trade and Food Assistance.
- teamed with the ACSA and AMCOT to convey to USDA’s Farm Service Agency (FSA) recommendations on FSA’s annual survey of cotton’s average costs to market. The survey results were used in the determination of the upland cotton adjusted world price that determines marketing assistance loan program benefits and potential payments under the extra-long staple competitiveness program.
- joined other agricultural and trucking organizations on a letter to Secretary of Transportation Elaine Chao regarding the negative impact of two substantial Department of Transportation rulemakings advanced under the previous administration - the Electronic Logging Device mandate and speed limiter proposed rule. The organizations emphasized that, collectively, these rulemakings **“would cost our industries more than \$2.845 billion to implement, without providing any meaningful safety or economic value to our members or the American public.”**
- teamed with the National Cotton Ginners Association on an Agriculture Workforce Coalition letter sent to President Trump regarding needed immigration reforms to address the agricultural labor shortage.
- reminded producers new to farming or who did not receive a Census of Agriculture in 2012 **that they had through June 2017 to sign up to receive USDA’s 2017 Census of Agriculture report form.** The NCC later reminded all producers to participate in that late-2017 conducted Census because their voice could help shape American agriculture, including its policies, services, and assistance programs, for years.

Trade

Major activities carried out during 2017

Early in the year, the National Cotton Council, along with 15 other farm and commodity organizations, sent a letter to President-elect Donald Trump and Vice President-elect Steve Pence outlining the importance to U.S. agriculture of strong exports, open export markets, and positive trade promotion and agreements. The letter noted that China, Canada and **Mexico represent U.S. agriculture's top three export markets and that, "Disrupting U.S. agricultural exports to these nations would have devastating consequences for our farmers and the many American processing and transportation industries and workers supported by these exports."**

The NCC, along with other major agricultural and commodity organizations, met with **Gary Cohn, director of the President's National Economic Council, to discuss the importance of exports and trade policy to U.S. agriculture.** The meeting provided an opportunity to hear directly from Administration officials about their objectives for trade policy with respect to existing agreements, such as the North American Free Trade Agreement (NAFTA), and for potentially new bilateral and other trade agreements.



NCC Chairman Ronnie Lee, right, and NCC President/CEO Gary Adams, left, attended a China Cotton Association policy forum in Beijing and also discussed regarding issues relating to U.S.-China cotton trade with Yuan Haiying, center, of the Yuan Associates consulting firm.

The NCC joined with more than 100 other agricultural organizations on a letter of support to all Senators **urging Robert Lighthizer's timely confirmation as U.S. Trade Representative (USTR).** The letter noted his extensive trade policy and

trade negotiation experience with a career that included work on Capitol Hill, at USTR and in **private practice.** Later, the NCC issued a statement saying it was pleased with the Senate's confirmation (82-14) of Lighthizer calling it an important step for promoting fair trade and export development.

The NCC joined with 88 other organizations participating in the U.S. Food and Agriculture Dialogue for Trade on a letter to all Senators urging the timely confirmation of the Trump Administration's nominee, **Gregg Doud, as USTR's chief agricultural negotiator.** The NCC and

more than 100 other organizations then sent a letter to the Senate Finance Committee in support of Doud.

Late in the year, the NCC issued a statement in which Chairman Ronnie Lee thanked the leadership of U.S. Trade Representative Robert Lighthizer and the U.S. negotiating team for **their support of U.S. farmers at the World Trade Organization's (WTO) 11th Ministerial Conference held in Argentina. Lee said the team's efforts were especially important for cotton, "as some WTO members continue to call for concessions above and beyond the reforms we have already made, without anything in return."**

NAFTA Renegotiation

The NCC closely monitored negotiations and worked with the National Council of Textile Organizations to ensure **that the entire U.S. cotton supply chain's interests are protected** within this important trade agreement.

After USTR Lighthizer sent a letter to Congress providing notice of the Administration's intent to renegotiate the NAFTA, the NCC issued a statement in which Chairman Ronnie Lee said the NAFTA trading partners of Canada and Mexico were significant markets for U.S. food and fiber exports. He said that Mexico, with purchases exceeding 1 million bales, has emerged as one of U.S. raw cotton's top five export destinations, and noted that NAFTA plays a critical role in North America's highly integrated textile and apparel supply chain.

The NCC was joined by the American Cotton Shippers Association (ACSA) and AMCOT on comments submitted to the *Federal Register* **regarding the Administration's NAFTA negotiating objectives. The comments noted the trade pact was crucial to the industry's long-term survival -- in large part due to the duty-free trade in raw cotton and cotton textile products. The comments asked for the elimination of tariff-preference levels that allow certain fabrics and yarns to enter a NAFTA country from a third country, be processed into a finished textile product, and still receive duty-free treatment. Among other modernizations sought were 1) strengthening provisions covering a statute that requires the U.S. Department of Homeland Security to purchase only textile products with 100 percent U.S. content, with limited exceptions and 2) establishing a customs enforcement task force to combat duty evasion and other forms of textile-related customs fraud.**



NCC comments submitted to the *Federal Register* regarding NAFTA negotiations noted that the trade pact was crucial to **the industry's long-term** survival -- in large part due to the duty-free trade in raw cotton and cotton textile products.

Reece Langley, the NCC's vice president of Washington Operations, conveyed the U.S. cotton industry's key trade priorities and objectives to the Administration's Trade Policy Staff Committee, which held three

days of hearings to receive input on the NAFTA renegotiation. His testimony recommended 1) "do no harm" approach to maintain the tremendous benefits that NAFTA currently provides to the U.S. cotton and textile industry, 2) the existing exceptions/loopholes within the yarn forward rule of origin in NAFTA be eliminated so that the agreement's benefits accrue to the countries that are a part of NAFTA rather than to countries outside the agreement, and 3) a greater focus be placed on customs enforcement by strengthening the resources and coordination between the three NAFTA countries to minimize customs fraud in textile products trade.

When the United States, Canada and Mexico began the second NAFTA negotiating round, the NCC joined 25 other groups on a letter to Lighthizer, Cohn, Commerce Secretary Wilbur Ross and Agriculture Secretary Sonny Perdue. Concerns outlined included a proposal to change trade remedy provisions in NAFTA to allow for antidumping duty cases to be brought based on seasonal or regional concerns and asking that the proposal not be put forward by the United States. The letter noted that such a proposal would threaten the existing consistent, duty free access for agricultural products to Mexico and Canada. The NCC also joined a group of organizations representing U.S. food and agriculture on another letter to those four officials thanking them for their recognition of NAFTA's importance to these industry sectors. However, the letter did ask that "as part of the efforts to 'do no harm' to our industry, a modernized NAFTA contain dispute settlement mechanisms that will protect U.S. exports from future trade barriers imposed counter to the market access goals of this agreement."

Ahead of the fourth round of NAFTA negotiations, the NCC, along with seven other textile and fabric organizations, sent a letter to the leadership of the Senate Finance Committee and House Ways and Means Committee in support of the Administration's proposal to update and improve the textile and apparel rules of origin by eliminating the Tariff Preference Levels.

After the fourth round was concluded, the NCC closely tracked the negotiations in an effort to protect this important export market access for U.S. cotton and cotton textile products, while seeking opportunities to close loopholes that currently exist for some non-NAFTA origin

textile products to enter the United States. Also, a diverse agricultural coalition including the NCC and 85 other organizations sent a letter to Ross expressing the significant market risks of a NAFTA withdrawal. The letter noted that a U.S. withdrawal would cause "immediate, substantial harm to American food and agriculture industries and to the U.S. economy as a whole."

In addition, the NCC joined more than 100 other groups on a letter to Lighthizer urging the **Administration not to eliminate NAFTA's trucking provision in an updated agreement. The** letter noted the dependence on the trucking industry in both the United States and Mexico to **safely and efficiently haul products and that the provision's** elimination would have a long-term negative impact on businesses.

In other trade-related activity, the NCC joined groups representing manufacturers, farmers and agribusinesses, wholesalers, retailers, importers, exporters, distributors, transportation and logistics providers, and other supply chain stakeholders on a letter applauding the International Longshore and Warehouse Union and Pacific Maritime Association for agreeing to early discussions on a contract extension.

Communications

Major activities carried out during 2017

Public Attitudes

The National Cotton Council consistently conveyed the industry's positions and concerns to Congressional Members and key government agency officials regarding critical legislative, trade, regulatory and environmental matters. For example, NCC President/CEO Gary Adams noted the NCC's disappointment with the cottonseed policy omission in the appropriations bill -- in an Op-Ed that appeared in *The Hill*, a D.C.-based newspaper/website that covers Congress.

The NCC issued a news release in which it applauded President Trump's issuance of a National Agriculture Day (March 21) proclamation that stated, "America's farmers and ranchers help feed the world, fuel our nation's economy, and lead global markets in output and productivity."



The NCC continued to participate in the successful communications initiative, Farm Policy Facts.

The NCC utilized social media across Twitter, Facebook, YouTube, podcasts via YouTube and Instagram. The posts highlighted news and information from the NCC, Cotton Council International and the U.S. cotton industry. The overall goal is informing, educating and creating positive perceptions regarding the NCC and the industry among the NCC's primary audiences of its members, Congress/Congressional staffers and consumers.

The NCC continued as an in-kind supporter of *America's Heartland*, the award-winning national television series celebrating American agriculture. The series, in its 14th season and aired on public television and the RFD-TV cable and satellite channel, educates consumers about the origins of their food, fuel and fiber.

The NCC continued to participate in Farm Policy Facts (FPF) (<http://www.farmpolicyfacts.org/>). The FPF and "The Hand That Feeds Us" initiatives are

committed to ensuring American agriculture's long-term success by facilitating meaningful conversations with legislators and consumers about how food and fiber is produced.

Information Services

The NCC's newly designed website,, was aimed at bringing new information to NCC members and other interested groups and helping NCC members more easily navigate the site's pages containing that material. The redesign, which retained the major categories of About, Economics, Education, Issues, Technical and News & Events, features feeds from the NCC social media channels, a Member Spotlight, enhanced audio and visual capabilities, as well as interactive maps.



The NCC's newly designed website, www.cotton.org, was aimed at helping NCC members and other interested groups more easily access valuable information.

The NCC continued to utilize other key communications vehicles such as its *Cotton's Week* newsletter, radio news lines, videos and columns in various trade publications for disseminating key information to its members. That ranged from relaying details on USDA's Cotton Ginning Cost-Share

program and NCC's actions on seeking cottonseed assistance to industry members' needed diligence on contamination prevention.

Weekly RFD-TV segments highlighting issues important to the industry continued to be produced. Video offerings also included monthly segments for Cotton International's web podcast series on various economic topics, several gin safety and handling videos, as well as various Ag Day segments on key news topics. Updates were begun on NCC educational videos covering gin safety and contamination prevention

The NCC also provided comprehensive communications support for multiple NCC-coordinated Cotton Foundation special projects. Among those were the Emerging Leaders, Multi Commodity Education, Policy Education and Producer Information Exchange programs.

Technical

Major activities carried out during 2017

Regulatory

Throughout the year, the National Cotton Council conveyed its views on various regulatory matters to EPA and Congress and advocated for sensible regulations and proper legislative oversight. Comments submitted to EPA noted 1) regulations that need to be revised, repealed or replaced such as several pesticide registrations that require a review and 2) more **overarching regulations such as “Waters of the U.S.,” Spill Prevention Control and Countermeasures, and Worker Protection Standards (WPS).**

Regarding the WPS, the NCC continued to work with EPA after it announced processes to revise 1) some WPS requirements such as minimum age requirements, designated representatives, and application exclusion zones; and 2) the minimum age requirements in the Certification & Training Rule (for pesticide applicators). Late in the year, the NCC reviewed for an opportunity to comment on EPA's notice that it had initiated a rulemaking process to revise the minimum age requirements for that applicators rule. EPA also announced that in 2018, it will review and provide a comment period for certain controversial aspects of WPS.

The NCC and many other agricultural stakeholders supported the "The Reducing Regulatory Burdens Act" (H.R. 953). **The legislation, introduced** by Representative Bob Gibbs (R-OH), called for removing the duplicative and unnecessary Clean Water Act permit for spraying pesticides anywhere near water that was mandated by a 2009 6th Circuit Court decision. The House Agriculture Committee approved the bill.

Later, the NCC was one of 616 co-signers of a multi-association letter sent to Senators urging them to pass the Regulatory Accountability Act (RAA) which was introduced in the Senate with bipartisan support. The RAA introduction was seen as a significant step forward as it called for modernizing the regulatory process and making it more transparent.

The NCC submitted comments to the U.S. Interior Department which disagreed with the government's designation of the Rusty Patched Bumble Bee (RPBB) to be on the endangered species list. Following the Senate Environment and Public Works Committee's hearing to discuss reforming the Endangered Species Act (ESA), the NCC submitted comments for the record on the issues of registration delays, lack of water in the western states due to ESA restrictions, and the unscientific process used to list the RPBB as endangered. Later, a petition signed by the NCC and other stakeholders was delivered to the Secretary of the Interior and to the acting director of the U.S. Fish & Wildlife Service asking them to delay implementation of the RPBB endangered listing until January 2018.

The NCC and the National Cotton Ginners Association (NCGA), along with eight other state and regional gin associations, filed comments with the U.S. Food and Drug Administration

(FDA) on their guidance titled, "Classification of Activities as Harvesting, Packing, Holding, or Manufacturing/Processing for Farms and Facilities." The document was part of directions for cotton and other industries on how to comply with FDA's Food Safety Modernization Act's (FSMA's) final rule for "Preventive Controls for Animal Food." The comments argued that treating cottonseed differently from grain was not a correct decision based on risk. The comments also explained that the agency's argument is not applicable to the cotton ginning industry as the activities in a cotton gin, whether farmer or non-farmer owned, all can be classified within either the harvesting activity or storage of a raw agricultural commodity category.



The NCC helped coordinate a fact-finding tour in Alabama for senior level officials with the Food & Drug Administration which continued to address the ginning industry's concerns with the Food Safety Modernization Act's Animal Feed Rule.

To help amplify this message, the NCC and the NCGA held a fact-finding tour in Alabama for several senior level FDA officials. This enabled them to see cotton harvesting and ginning firsthand as

the Agency continued to address the ginning industry's concerns with the FSMA's Animal Feed Rule.

The NCC sent a letter to House Science, Space, and Technology Committee Chairman Lamar Smith (R-TX) in support of two House-passed bills. The Honest and Open New EPA Science Treatment Act of 2017 (H.R. 1430) would prohibit the EPA from proposing, finalizing, or disseminating a covered action unless all scientific and technical information relied on to support such action is the best available science, specifically identified, and publicly available in a manner sufficient for independent analysis and substantial reproduction of research results. The other House-passed regulatory reform bill, the "EPA Science Advisory Board Reform Act of 2017" (H.R. 1431), amended the Environmental Research, Development, and Demonstration Authorization Act of 1978 to revise the: 1) process of selecting Science Advisory Board (SAB) members, 2) guidelines for participation in board advisory activities and 3) terms of office.

When EPA announced its intention to balance SAB representation, the NCC encouraged the agency to review the balance for all Scientific Advisory Panels (SAP) and address the long-term unbalanced representation on scientific panels that often dismisses studies because the members do not have full understanding of particular methodologies or issues related to the studies.

The NCC joined with one coalition on a letter to the Senate Environment and Public Works (EPW) Committee for four individuals nominated to be assistant administrators at EPA: Michael Dourson as assistant administrator of the Office of Chemical Safety and Pollution Prevention, which oversees the Office of Pesticide Programs; Matthew Leopold for EPA assistant administrator, Office of the General Counsel; David Ross for EPA assistant administrator, Office of Water; and William Wehrum for EPA assistant administrator, Office of Air & Radiation. The NCC joined with another pesticide-specific coalition on another letter supporting Dourson and continued to follow the nomination process for these individuals.

Mid-year, the NCC filed comments supporting the Occupational Safety and Health **Administration's (OSHA) decision to delay the implementation of "Improve Tracking of Workplace Injuries and Illnesses."** The NCC stated that system for electronically reporting injuries was not available and that the NCC had concerns over some parts of the rule, which was issued in 2016. OSHA proposed to extend the initial submission deadline for 2016 Form 300A data to December 1, 2017, to provide the new administration an opportunity to review the new electronic reporting requirements prior to their implementation and allow affected entities sufficient time to familiarize themselves with the electronic reporting system. Late in the year, OSHA indicated it might move forward with another proposal to address issues and concerns with the reporting requirement brought to their attention by the cotton industry, and the NCC was prepared to seek additional changes to the existing rule.

The NCC was among 147 organizations, associations, chambers of commerce and companies which signed on to a support letter for the Ozone Standards Implementation Act of 2017 (H.R. 806), which passed in the House by a 229-199 vote. The Act's purpose was to "... Provide states the flexibility needed to implement the National Ambient Air Quality Standards for ground-level ozone on an efficient and realistic timeline; Ensure the nation's infrastructure and manufacturing permitting continue while making improvements to air quality ..."

Allen McLaurin, a North Carolina cotton producer and member of EPA's Pesticide Program Dialogue Committee (PPDC), covered issues affecting cotton producers during the PPDC's May meeting. Among those issues were inconsistent and conflicting EPA guidance to growers on resistance management. His comments became part of an official docket on regulatory reform. The NCC followed up with written comments to that docket which also included a discussion of the new Worker Protection Standards, a new rule for the training of pesticide applicators and the proposed **risk assessments for neonicotinoids**. **Don Parker, NCC's** manager, Integrated Pest Management and a member of a PPDC workgroup, discussed a proposed metrics program for measuring the progress of state managed pollinator protection plans.

McLaurin later attended **the PPDC's fall meeting where worker protection, dicamba and chlorpyrifos** were among key issues discussed.

WOTUS

The NCC announced it strongly supported EPA's decision to rescind the 2015 Clean Water Rule, more commonly known as "WOTUS" (Waters of the U.S.). The NCC stated it believed this regulation, which has not been implemented due to court cases, created confusion among the regulated agricultural community as well as other industries. The NCC, which noted that it was ready to provide input to the Agency in the creation of a new rule, also extended appreciation to EPA for asking states to comment on WOTUS and potential fixes -- an action that shows that the Agency was ready to seek input so that the next version of the regulation could be simplified and the roles of the federal and state governments and stakeholders clarified.



Participation in the Waters Advocacy Coalition enabled the NCC to convey its stance on **"Waters of the U.S." rulemaking.**

The Waters Advocacy Coalition (WAC), of which the NCC is a member, sent to President Trump a letter applauding him for his Executive Order on the

WOTUS rule. The Order directed EPA and the U.S. Army Corps of Engineers (Corps) to publish a proposed rule that rescinds or revises the WOTUS rule "as appropriate and consistent with law." The NCC and other agricultural groups worked closely with the Administration to ensure the rural community had a voice during the Office of Management & Budget's review of EPA's proposal.

After EPA and the Corps published in the July 27 *Federal Register* their proposed rule, "Definition of 'Waters of the United States' - Recodification of Pre-Existing Rules," the NCC commented in favor of rescinding the definition of WOTUS (from the Obama Administration's 2015 Clean Water Rule) in the Code of Federal Regulations. The NCC developed a template letter to help its members create individual comments and urged them to file their comments in support of the WOTUS rule repeal and the temporary reinstatement of the previous rule. NCC comments to EPA and the Corps asked them to finalize their proposal to rescind WOTUS.

In a second step that came later in the year, the two agencies pursued notice-and-comment rulemaking in which they conducted a substantive re-evaluation of the definition of WOTUS in a new proposal. The NCC continued working with those agencies in drafting a new, more reasonable rule that would protect the nation's water resources and allow normal farming practices without threat of legal action against growers.

The WAC filed comments to the Corps' Regulatory Reform Task Force as part of responding to President Trump's Executive Order No. 13,777 on regulatory reform. The comments included the WAC's contention that the Corps' headquarters needed to assert control over its regional offices in order to ensure consistent implementation of the same regulations. The WAC also suggested that the Corps 1) rescind supplements to the Wetlands Delineation Manual that were being used to find wetlands in agricultural land that did not exhibit all three required wetland characteristics; and 2) revise the definition of the Ordinary High Water Mark that was used in the Waters of the U.S. rule to claim jurisdiction over swales that only sometimes carry rainwater.

Late in the year, the NCC submitted comments to EPA and the Corps in response to those agencies' last proposal on the 2015 "Waters of the U.S." (WOTUS) rule – a proposal from August 28, 2017, requesting recommendations for revisions to the WOTUS definition. The comments 1) pointed out problematic areas in the original rule that lacked clarity and/or expanded federal jurisdiction beyond the limits placed by the Clean Water Act, the intent of Congress, and the Supreme Court and 2) suggested these problematic areas be removed or corrected in a new rule.

The NCC also reviewed a November 22, 2017, proposal from EPA and the Corps that sought to amend the effective date of the 2015 rule defining WOTUS. The agencies proposed that the 2015 rule would not go into effect until two years after that action was finalized and published in the *Federal Register*. Subsequently, the NCC joined with 21 producer interest organizations on comments that noted the addition of a delayed applicability date will have the benefit of reducing potential confusion resulting from an upcoming Supreme Court decision which will decide whether the Sixth Circuit court or the court of appeals has original jurisdiction to review challenges to the 2015 Rule.

In other regulatory matters, the NCC:

- joined with 28 other organizations on a letter to the Senate requesting that the Senate confirm Oklahoma Attorney General Scott Pruitt as EPA administrator and later **publicly announced that it was pleased with the Senate's confirmation of Pruitt.**
- in conjunction with several agricultural coalitions, compiled and submitted to EPA a list of regulations it believed needed to be reformed, repealed or replaced. The list was in response to President Trump's Executive Order (Enforcing the Regulatory Reform Agenda) calling for public comments which were to be reviewed by a new EPA Task Force created under the Order.
- was included on a letter to the Senate Committee on Homeland Security and Governmental Affairs asking that panel to support the Regulatory Accountability Act (S. 951) stating the bill would add transparency, sound science, robust cost-benefit analysis and stakeholder engagement to the creation of regulations for agriculture and other industries.
- **filed comments supporting EPA's published proposal to extend the effective date of the Pesticide Applicator Certification and Training rule from May 22, 2017, until May 22, 2018.** EPA agreed to the extension.

Crop Protection Product Support

Throughout 2017, the NCC continued to work with others in the agricultural community to ensure EPA relied on credible scientific data and required all studies be subject to the same requirements of product registrants. The NCC and agricultural groups worked to build support for the reauthorization of the Pesticide Registration Improvement Act (PRIA), which establishes fees for registration and re-registration of pesticides as well as many other actions authorized under the Federal Insecticide, Fungicide & Rodenticide Act (FIFRA).

The NCC sought a fair and scientifically sound process on chlorpyrifos and all related organophosphates. That included being a signatory, along with 34 other agricultural **stakeholders, on a letter to then EPA Administrator Gina McCarthy decrying the Agency's** action regarding chlorpyrifos. Also, in a drive to save the varied uses of chlorpyrifos, 2,300 businesses and organizations – including 187 from the cotton industry – signed on to a **petition. As a member of the Pesticide Policy Coalition, the NCC was part of that group's** comments to the public docket in support of chlorpyrifos.



The NCC joined with 28 other organizations on a letter to the Senate asking that it confirm Oklahoma Attorney General Scott Pruitt as EPA administrator.

A group of 43 agricultural stakeholders, including the NCC and the California Cotton Ginners and Growers Association, sent a letter to new EPA Administrator Pruitt asking him to **“retain the current crop tolerances and availability of use of the chlorpyrifos-containing products we need.”**

After the EPA released an order denying in full a petition filed by the Pesticide Action Network North America and the Natural Resources Defense Council requesting that EPA revoke all tolerances for chlorpyrifos, the NCC issued a release noting that 1) three separate FIFRA Scientific Advisory Panels (SAPs) had cautioned EPA against using the outcomes from **Columbia Center for Children’s Environmental Health researchers** and 2) **at all three SAPs convened on the issue, the panels questioned EPA’s shift to the use of certain epidemiological study outcomes rather than the standard use of toxicological data in human health risk assessments.**

In mid-year, the 9th Circuit Court of Appeals issued an order denying the petitioners' (Pesticide Action Network North America and Natural Resources Defense Council) motion for further mandamus relief in the chlorpyrifos proceedings. The decision was in response to the

latest lawsuit by activist groups that sued EPA when the Agency denied their petition to outright revoke all tolerances of the pesticide instead of moving the product through the normal registration-review process.

Late in the year, the NCC joined other agricultural groups on a letter to President Trump thanking his Administration for continuing the normal scientific process for chlorpyrifos. The letter commended the Administration for striking a balance between maintaining the pesticide and continuing the ongoing scientific analyses as required by law.

EPA's ongoing review of pyrethroids was monitored by the NCC which filed comments to EPA's docket citing the long history of those insecticides in integrated pest management programs for cotton as well as their continued use in resistance management. The NCC also warned that the loss of this chemistry would result in fewer modes of action against pests and perhaps lead to increased resistance.

The NCC commended EPA after it posted the new label for Enlist Duo enabling the herbicide to be used on Enlist cotton in all cotton growing states with the exception of California for the 2017 season. Enlist Duo, which is a combination of glyphosate and 2,4-D, originally was approved by EPA in October 2014; however, the agency withdrew its registration after the existence of new data came to light.

The NCC filed six sets of comments on seven pesticides, all of which had a July 24, 2017, deadline for public comment established by EPA. The comments were for aldicarb, ethephon, **and methoxyfenozide where the NCC pointed out issues with EPA's analyses of the pesticides.** The other three sets of comments were filed for the neonicotinoids clothianidin, imidacloprid, thiamethoxam and dinotefuran. The imidacloprid comments primarily addressed concerns with the water models that NCC believed EPA uses incorrectly to assess aquatic risk. **Comments on the other three neonicotinoids concentrated on errors in EPA's study of risks to bees and on providing EPA with the benefits that these products provide for efficient cotton production. The NCC monitored EPA's review process and worked to ensure these products' continued availability.**

Late in the year, the NCC provided comments after EPA announced the availability of its draft ecological non-pollinator risk assessment for the registration review of imidacloprid, along with draft human health and non-pollinator ecological risk assessments for the registration review of clothianidin, thiamethoxam, and dinotefuran. The notice also announced the availability of benefits assessments of neonicotinoid insecticide use in cotton.

EPA announced an agreement with Monsanto, BASF and DuPont on measures to further minimize damage to neighboring crops from the use of dicamba formulations used to control **weeds in genetically modified cotton and soybeans. New requirements for "over the top" use** of dicamba (application to growing plants) would allow producers to make informed choices for seed purchases for the 2018 growing season. The NCC continued to work closely with EPA on the goal of keeping dicamba labeled for use beyond the 2018 growing season.

The NCC submitted separate comments regarding EPA's preliminary ecological risk assessments for oxamyl and prometryn. The comments explained that both products previously have been registered as long-term crop protection products and provide a unique mode of action for multiple resistance management scenarios.

Biotechnology

Throughout the year, the NCC worked with Congress and the Administration to ensure innovative biotechnology products are approved in a timely manner and are available to producers.

The NCC provided comments after the White House released its 2017 Update to the Coordinated Framework for the Regulation of Biotechnology. That Update was accompanied by the National Strategy for Modernizing the Regulatory System for Biotechnology Products -- to offer the public a complete picture of the regulatory structure that provides oversight for all modern biotechnology products.

The NCC was actively engaged with the USDA's Animal and Plant Health Inspection Service (APHIS) prior to the agency's pre-publication of a proposed rule to revise its regulations regarding the importation, interstate movement and environmental release of certain genetically engineered organisms, 7 CFR part 340 (also known as Part 340). The NCC commended the Agency for its work on the regulations and that the proposal recognized **plant breeders' long track record of safety and quality**. Later, the NCC submitted comments on proposed revisions to Part 340. The NCC believed the proposed changes would have a significant negative impact on agricultural innovation, particularly for small companies and universities focused on developing products for a specific regional need or environmental use. The NCC, along with other agricultural organizations, also continued to work with the Administration and Congress to ensure any rule put forward is science-based and does not prohibit producers from accessing necessary tools and technology for efficiently producing crops.

Late in the year, the NCC submitted comments to APHIS in full support of a petition submitted by Bayer CropScience LP, which was seeking a nonregulated status for cotton (event GHB811) that had been genetically engineered for dual resistance to the herbicides glyphosate and isoxaflutole, an HPPD-inhibitor. **Bayer's plan was to commercialize GHB811** in a breeding stack designed to provide U.S. cotton producers with a new seed innovation providing tolerance to three herbicides and containing three insect resistance proteins.

Other NCC comments addressed the FDA's notice for a request for comments on "Genome Editing in New Plant Varieties Used for Foods." Those comments emphasized the need for a regulatory process on genome edited products that is clear and predictable for researchers and industry, and that also is science-based. In its comments, the NCC applauded the Administration's efforts to update government regulations to support new technologies and innovation, and pledged the industry's cooperation as the process continued.

The NCC, along with other members of the Coalition for Safe and Affordable Food, submitted a joint response to USDA's Agricultural Marketing Service's query regarding the development of a rule to implement the National Bioengineered Food Disclosure Law. The questions covered a variety of topics including how certain products should be defined as well as what products should be excluded from the rule.

Cotton Flow/Packaging



The NCC reminded warehouse workers of their responsibility to preserve the integrity of bale bags and ties prior to shipping.

The NCC was active on several fronts throughout the year addressing issues affecting the timely movement of baled cotton fiber to domestic and foreign customers, the acceptance of materials used to package U. S. cotton fiber, and the development of new, innovative packaging materials and techniques.

USDA notified the NCC that the revised Joint Cotton Industry Bale Packaging Committee (JCIBPC) Specifications for Cotton Bale Packaging Materials for packaging 2017-crop cotton were approved for Commodity Credit Corporation (CCC) loan program purposes.

The Specifications, which were posted on the NCC's website at www.cotton.org/tech/bale/specs/, called for: 1) removing all references to flat bales and modified flat bales from the 2017 edition of the cotton bale packaging specifications; 2) requiring the inclusion of correct bag/tie codes on electronic warehouse receipts, and 3) NCC staff to report on the views of the raw cotton segment and packaging suppliers on the time that would reasonably be needed to make a transition away from the use of wire strapping.

Late in the year, NCC staff distributed to the JCIBPC a report on the raw cotton segments' and packaging suppliers' input regarding the use of wire ties. Their views were obtained from a NCC survey.

The JCIBPC's Executive Committee agreed to forward to the NCC's Permanent Bale Identification (PBI) Task Force a request by some JCIBPC members that would call for removing from the PBI tag specifications the requirement that "A" and "B" coupons be included on tags. However, even if this request was accepted by the Task Force, gins and warehouses still would have the option of including the coupons on their bale tags.

JCIBPC approvals were granted for continued testing of two light-weight cotton bale bags, a compatibility test program for third party polyethylene terephthalate (PET) strap on patented z-weld friction technology® systems, and a fifth-year test program for a new category of woven PET bags (along with that bag's automated bagging system). Except for the two light-weight cotton bag test programs that were restricted to the Far West region for exported bales, **"JCIBPC determinations" were granted for the other two test programs. In accordance with Intercontinental Exchange (ICE) Cotton No. 2® rules on bands and bagging, an explicit determination from the JCIBPC is necessary for bales in experimental test programs to meet a key delivery requirement for bales being delivered against No. 2® cotton contracts. No bales in the first year of an approved JCIBPC test program are deemed deliverable against the contract.**

The JCIBPC Executive Committee later approved a first year test program of 100,000 bales at **two gins for DuBose Strapping Inc.'s CFS 1955 PET Strapping System. Once a system like this completes at least two years in successful test programs, it could be eligible to have its name added to the JCIBPC's list of approved PET strapping systems.**

Warehousers were reminded of their responsibility to preserve the integrity of bale bags and ties prior to shipping. Specifically, warehousers were asked to repair or replace torn bale packaging and replace broken or missing bale ties. This reminder was a result of a recent uptick in complaints to the NCC from both domestic and foreign textile manufacturers **regarding some U.S. bales' the appearance.**

The NCC reminded warehousers with USDA CCC Cotton Storage Agreements that bag and tie codes were required elements of warehouse receipts after the JCIBPC adopted that recommendation at its 2017 annual meeting. As the 2017 harvest, ginning and storage got underway, the NCC reminded industry members about proper bale identification, including adherence to multiple requirements. Gins were reminded that according to the Guide for **Cotton Bale Standards, a requirement for a "Grade A" bale is the placement of PBI tags on, not under, bale bags.**

Ginners and warehouses also were reminded not only of the importance of properly tagging bales but making sure the USDA Agricultural Marketing Service (AMS) classing coupons **always match the PBI tags on bales. NCC President/CEO Gary Adams' memo to ginners** alerted them to increased incidences of mismatched PBI tags and sample coupons with the 2017 crop compared to the 2016 crop. The memo urged gins to remind their licensed samplers that they are responsible for the actions of the employees under their supervision and emphasized that correcting AMS records associated with mismatches is time consuming and expensive.

The Cotton Flow Working Group was established as NCC Cotton Flow Committee **subcommittee to investigate other countries' flow practices and** industry procedures that allow the market to reward prompt service and penalize those practices that impede flow. That Group met twice and developed several recommendations for consideration as NCC

policies. The Group anticipates 2018 work on more recommendations designed to enhance the efficient movement of baled cotton fiber through the marketing chain.

Late in the year, the Federal Motor Carrier Safety Administration (FMCSA) granted a limited 90-day waiver from the federal hours-of-service regulations pertaining to electronic logging devices for the transportation of agricultural commodities as defined in the Federal Motor Carrier Safety Regulations. The waiver was to expire on March 18, 2018. The NCC also reviewed for an opportunity to comment on FMCSA's regulatory guidance to clarify the **applicability of the "Agricultural Commodity" exception to the "Hours of Service of Drivers"** regulations. The regulatory guidance, announced late in 2017 and which would expire five years after being finalized, was being proposed to ensure consistent understanding and application of the exception by motor carriers and state officials enforcing hours of service rules.

Research/Education

The NCC worked with Congress and others in agriculture to ensure funding availability for various agricultural research programs.

In collaboration with the Cotton Foundation, the NCC held an Educational Outreach Program **on the issue of bee health and neonicotinoids. EPA participants from the agency's pesticide** office discussed neonicotinoid draft risk assessments with state university entomologists, cotton producers and their partner-beekeepers. University scientists presented several recent research studies showing the value of agriculture to bee health, the value of crop protection products to crops, the lack of evidence that neonicotinoids are affecting bee hives, and the benefits of reducing foliar pesticide uses that may lead to other pest infestation issues.

The NCC continued an initiative advocated for and begun in 2016 by the NCC's Quality Task Force that asked domestic and foreign textile manufacturers to submit photographs showing contaminated lint. The photographs had been sought by the NCC at the request of some ginners wanting images of seed cotton, lint and baled cotton contaminated from plastics. **The photograph solicitation was part of the NCC's "Keep it Clean" initiative which is keeping** industry members informed of contamination incidences and threats as well as providing steps for eliminating contaminating materials.

More than 1,000 attended the 2017 Beltwide Cotton Conferences in Dallas. The forum focused on research of new and existing products and technologies and the transfer of these to producers through consultants, Extension, allied industry and others directly involved in assisting producers with crop production and marketing decisions. Dr. Peng Chee, a professor **of Cotton Molecular Genetics/Breeding at the University of Georgia's Coastal Plain Experiment** Station in Tifton, Ga., received the 2016 Cotton Genetics Research Award.

Sustainability



A newly-created COTTON USA Sustainability Task Force set goals to build upon the strong environmental gains already achieved by U.S. cotton over the past 30 years.

In compliance with a NCC-adopted sustainability resolution, the NCC created a COTTON USA Sustainability Task Force which set goals to build upon the strong environmental gains already achieved over the past 30 years. Task Force Chairman Ted Schneider announced that among specific

goals being pursued by 2025 are: reducing: 1) the amount of land needed to produce a pound of cotton fiber by 13 percent; 2) soil loss by 50 percent, in balance with new soil formation; 3) energy to produce seed cotton and ginned lint by 15 percent; and 4) greenhouse gas emissions by 39 percent; and increasing: 1) water use efficiency (more fiber per gallon) by 18 percent; and 2) soil carbon in fields by 30 percent.

The NCC continued its support of the Cotton LEADS™ program. Among those joining the program's 470-plus partners were L.L. Bean, Hugo Boss, Walmart and Gap Inc., which announced that its Gap brand was committed to sourcing 100 percent of its cotton from more sustainable sources by 2021, while its Athleta brand aimed to use 80 percent sustainable fibers in its apparel by 2020.

Among other research and education activities, the NCC:

- cooperated with the National Cotton Ginners Association (NCGA) on the three 2017 Ginner Schools – the Western Ginners School in Las Cruces, N.M.; the Stoneville Ginners School in Stoneville, Miss.; and the Southwest Ginners School in Lubbock.
- partnered with the American Seed Trade Association (ASTA) which updated outreach materials for producers on stewardship for treated seeds – including a new seed treatment stewardship guide at <http://seed-treatment-guide.com/>.

Cotton Council International

Major activities carried out during 2017

Cotton Council International (CCI), the National Cotton Council's export promotion arm that promotes U.S. cotton in more than 50 countries under its COTTON USA™ trademark, oversaw activities that showcased U.S. cotton's quality, sustainability, transparency, premium value and innovation.

CCI ramped up global initiatives aimed at making U.S. cotton the preferred fiber for mills, manufacturers, brands, retailers and consumers. By commanding a value-added premium, CCI delivered profitability across the U.S. cotton industry and drove export growth of fiber, yarn and other cotton products. The total value of U.S. cotton fiber and value-added U.S. cotton exports was approximately \$5.6 billion.

In a recent study, the COTTON USA Mark was proven to add value for consumers. Even more significantly, respondents indicated that they would be willing to pay more for a product with the COTTON USA Mark rather than a generic 100 percent cotton logo. CCI signed 136 new COTTON USA licensees, for a total of 714 licensed mills, manufacturers, brands and retailers that consumed 9.7 million U.S. cotton bales.

Buyers and sellers throughout the global textile supply chain conducted more than 2,100 meetings at COTTON USA events aimed at increasing exports of U.S. cotton. Participation in COTTON USA events led to reported sales of 54.5 million pounds of U.S. cotton, valued at approximately \$38.1 million. Thanks to COTTON USA events, textile mill buyers said they would increase their purchases of U.S. cotton by an additional 240.8 million pounds of U.S. cotton during the next year, an estimated \$175.6 million increase in sales.



CCI's new "The Cotton The World Trusts" campaign elevated consumers awareness of U.S. cotton's many attributes.

Education

Increasing awareness about why U.S. cotton is "The Cotton The World Trusts" was a critically important facet of CCI's promotional strategy -- as COTTON USA committed to providing educational forums that benefitted mills, manufacturers, brands and retailers.

To help facilitate its goals, COTTON USA™ introduced a new website. Translated into 12 languages, it offered mills, manufacturers, brands and retailers economic data, global supplier

search capabilities along with new developments in cotton sustainability, quality, transparency and innovation. The website is focused on serving business needs, and newly built to connect, educate and inspire the entire cotton supply chain.

COTTON USA conducted events in the United States and in key export markets to provide forums for the U.S. cotton industry to interact directly with customers and boost U.S. cotton sales. Quality conferences, executive delegations and seminars with Pakistani, Chinese, Turkish and Indian textile mill leaders strengthened the U.S. cotton industry's commitment to supplying "The Cotton The World Trusts." A special trade mission from Bangladesh and an orientation tour enabled key U.S. cotton customers to tour the U.S. Cotton Belt and see how the world's highest quality, cleanest fiber was grown sustainably.

COTTON USA also conducted two studies to prove that U.S. cotton is worth a premium price because of its superior efficiency during spinning and knitting. These studies were presented to nearly 60 mills in six countries to demonstrate how using U.S. cotton leads to better products at an overall lower cost.



CCI's biennial Orientation Tour

enabled key U.S. cotton customers to tour the U.S. Cotton Belt and see how **the world's highest quality, cleanest** fiber was grown sustainably.

Innovation

COTTON USA is focusing on new and innovative ideas to increase U.S. cotton exports. In 2017, COTTON USA launched its new "WHAT'S NEW IN COTTON™"

initiative with the objective of inspiring the target audience to think about the many opportunities in U.S. cotton and, ultimately, to specify more U.S. cotton in their products. This initiative was introduced at the Premiere Vision show in Paris and at the Shanghai Inter-textile show – resulting in heightened interest in U.S. cotton.

CCI launched the COTTON USA Mill Exchange Program in Southeast Asia, where spinning mills in Thailand, Vietnam and Indonesia opened their doors to competitors and shared how they were successfully using U.S. cotton to increase profits. These mills were expected to purchase an additional 32.7 million pounds of U.S. cotton, valued at \$23.8 million. CCI also launched its first digital marketing campaign directed at a business to business audience, using advanced targeting techniques to reach key audiences of mills, manufacturers, brands and retailers with new content on the value of using/specifying U.S. cotton.

Facilitating Connections

One of the most important premium values that COTTON USA offered was its facilitation of **business connections across the supply chain**. “Cotton Days” in Bangladesh, China, Indonesia, Japan, Korea, Taiwan, Thailand and Vietnam brought together COTTON USA licensees and potential business partners while positioning U.S. cotton as the fiber of choice globally.

COTTON USA Sourcing Fairs in Hong Kong and Cancun, Mexico, showed mills, manufacturers, brands and retailers – with a huge global sales network – why U.S. cotton fiber and yarns should be key ingredients in manufacturing high quality textile products. The Fairs also provided immediate sourcing assistance.



CCI facilitated business connections across the supply chain through **“Cotton Days” events it coordinated** in Bangladesh, China, Indonesia, Japan, Korea, Taiwan, Thailand and Vietnam.

Collaboration

At international trade shows, such as Première Vision in Paris and Intertextile in Shanghai, CCI,

Cotton Incorporated and Supima collaborated to exhibit jointly in one large cotton pavilion and showcase **WHAT’S NEW IN COTTON™**, including innovations in technologies, fabric blends, performance, design, and fashion.

The U.S. cotton industry, in fact, is represented by the strategic partnership of the NCC, CCI, Cotton Incorporated and Supima, which work seamlessly throughout the supply chain to provide advanced cotton technology, strategies for improved cotton product performance and sales-building expertise to mills, manufacturers and retailers worldwide. All four organizations actively collaborate with the industry to ensure open access to the latest **innovations that help ensure that cotton is a sustainable ingredient in tomorrow’s garments and home textiles**.

Throughout the year, CCI received invaluable support from the NCC; Cotton Incorporated; the American Cotton Shippers Association; the American Cotton Marketing Cooperatives; California Cotton Alliance; the Committee for Cotton Research; ICE Futures U.S.; Plains Cotton Growers, Inc.; Southern Cotton Growers, Inc.; Supima; USDA; U.S. cotton yarn and textile manufacturers; and COTTON USA Mark licensees worldwide.

The Cotton Foundation

Major activities carried out during 2017

The Cotton Foundation Board of Trustees approved funding for 12 general projects totaling \$202,000. Approved projects covered research and educational efforts related to pest management, sustainability, contamination detection, agronomic practices, regulatory issue information gathering, and education.

Under one of the general projects, "Enhancing Cotton Industry Education and Information Through the National Cotton Council Website," the NCC was able to redesign its website, www.cotton.org.



Cotton industry members receive unique training as participants in the Emerging Leaders Program -- one of several key Foundation special projects.

Some Foundation member firms continued to provide grants over and above their dues to fund special projects. Among those was "Educational Outreach." This new effort, supported by Monsanto, Bayer, Syngenta, Dow AgroSciences and Valent, enabled the NCC to

conduct an outreach program on the issue of bee health and neonicotinoids for EPA staff at the Agricenter International facility in Memphis, Tennessee.

Through the Foundation, support also was maintained for vital NCC communications vehicles, including the *Cotton's Week* newsletter. In addition, the Foundation's underpinning of the NCC's web server made it possible for the NCC to continue posting valuable educational materials, including streaming video, for industry members.