

**Report
To
Members
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Cotton
Council** 
OF AMERICA

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Cover: The background photo on the front cover is an enlargement of the reverse side of a denim fabric swatch. The image’s color was digitally altered for this usage.

THE COUNCIL MISSION

The National Cotton Council of America is the unifying force of the U.S. raw cotton industry's seven segments: producers, ginner, warehousemen, merchants, cottonseed crushers, cooperatives and textile manufacturers.

The organization's mission is to ensure the ability of all industry segments to compete effectively and profitably in the raw cotton, oilseed and value-added product markets at home and abroad.

This mission is carried out with the help of democratically-developed policy. Annual policy making is initiated through recommendations generated by the Council's six program committees — Farm Program and Economic Policy, International Trade Policy, Public Relations and International Market Development, Research and Education, Packaging and Distribution and Health, Safety and Environmental Quality.

Committee recommendations are refined and approved by the Council's 35-member board of directors, acting as a resolutions committee, but must be adopted by the Council's delegates voting at the annual meeting.

This publication's primary objective is to report on major activity carried out in 1997 of the resolutions adopted in February, 1997. Included are activity highlights of the Council's export promotions arm, Cotton Council International, and of The Cotton Foundation.

President's Message

The U.S. cotton industry reached a critical juncture in 1997. Industry leadership proved invaluable, from program committee members who helped formulate policy to those serving on numerous National Cotton Council task forces.

Council members exhibited strong leadership through their assertive efforts to help the industry adapt to the highly market-oriented Federal Agriculture Improvement & Reform Act (FAIR) of 1996. Potential dissension was circumvented in discussions about modifying the cotton program's competitiveness provisions. Council officers and directors demonstrated a remarkable ability to work together on crafting program changes they believed were vital to U.S. cotton's profitability. This diligence and unselfishness resulted in President Clinton's signing 1998 Agriculture Appropriations legislation containing amendments to the cotton competitiveness program's Step 2 component.

Council leadership also was called upon to serve the industry through several special task forces dealing with sensitive issues that impact profitability. Members of the Environmental Task Force, for example, were particularly helpful in the industry's efforts to cope with changing rules governing the availability of crop protection chemicals.

The Taxpayer Relief Act of 1997 contained several provisions of importance to the industry, including a reduction in capital gains tax rates, an increase in estate tax exclusion and beneficial provisions regarding employer insurance premium deductions and income averaging for farmers. Council efforts were key in obtaining a legislative reversal of recent Internal Revenue Service interpretations of the Alternative Minimum Tax, helping save many cotton producers additional tax burdens.

Council leaders demonstrated extraordinary patience in the midst of a frustrating business climate of increasing regulatory challenges and thin margins, especially on the farm.

The margins are being eased little under current farm law because government payments are being phased down. While marketing loan protection in the event of extremely low prices is in place, it provides meaningful protection only when the adjusted world price falls below the loan.

Thin margins also are contributing to a decline in cotton acreage. Acreage devoted to cotton fell in 1996 and 1997 and is expected to fall again this season. The industry has enough acreage and infrastructure to produce and process about 20 million bales of cotton annually. However, with the acreage decline, the resulting unused capacity imposes a fixed-cost burden on the industry that reduces efficiency and eats into margins.



**William T. Lovelady, President
National Cotton Council of America**

Meanwhile, a host of economic, demographic, political and technological developments are converging. These global developments also will challenge the Council's visionary ability and pressure its issues-management prowess. Some key developments that bear monitoring:

- World population growth and economic expansion unquestionably will create new demand for all kinds of consumer products, especially food and clothing;
- Increased demand for agricultural products will place greater demands on the world's arable land;
- New agricultural technology, all the way from seed to finished product, will create efficiencies that potentially reduce demands on the world's arable land;
- New agricultural technology is being introduced at prices that make it only marginally more attractive than conventional technology — thereby limiting the efficiencies that otherwise could be achieved;

- Technologies developed by U.S.-based organizations, while typically marketed first in this country, are rather quickly being sold to foreign customers — meaning any technology-based competitive edge is short lived;
- The U.S. has no corner on agricultural technology because even developing countries are using these tools to help bring down production costs;
- Federal regulations and international environmental concerns make it difficult for U.S. cotton to enjoy maximum access to and benefits of the best technology, including crop protection chemicals and genetically engineered seeds;
- Planned expansion in world production capacity for man-made fibers exceeds the projected world growth for all fibers;
- Polyester staple, cotton's principal man-made fiber competitor, now is being produced much cheaper than cotton and is sold in some Asian markets for as little as 45 cents a pound;
- Trade agreements already in effect, and others likely to be reached, are reducing barriers to international trade — exposing the U.S. market to more competition while opening foreign markets to U.S. products;
- Substantial middle-class populations are emerging in many developing countries — representing potential new demand for U.S. products;
- New trade agreements, including expansion of the North American Free Trade Agreement (NAFTA) to other countries in this hemisphere, can offer real potential for U.S. cotton and its value-added products if properly crafted.

These factors have the potential to either boost or reduce demand for U.S. cotton. The industry must determine which factors it can influence and how to direct its resources for achieving the greatest returns. Fortunately, the Council has a visionary strategic plan that focuses on profitability. It also has an excellent policy development process that benefits from the collective wisdom of leaders who work for a higher goal — the betterment of the entire industry.

William T. Lovelady, President
National Cotton Council of America

Statement From The Executive Vice President

During this transition to market orientation, U.S. cotton is rightfully apprehensive. That anxiety is reflected in decisions ranging from which crop to plant to whether or not to invest in new, larger processing or handling facilities.

However, the National Cotton Council has mapped out a clear course to help the industry in coping with change and finding opportunities to improve profitability.

From the beginning, profitability has been the key word in the Council's mission statement and it remains so. Our current strategic plan calls on the Council to assist its members in achieving profitable operations by: 1) influencing legislative, regulatory and trade policy; 2) reducing costs through research, risk management and information technology; and 3) improving global competitiveness by building demand and market share through marketing and promotion.

The Council will focus on programs that expand U.S. cotton's share of world markets and on research and development efforts that improve efficiency and productivity, and most importantly, improve profit margins for all industry segments.

Cotton Council International (CCI) is making tremendous strides in differentiating U.S. cotton and U.S.-manufactured cotton products from others in the world marketplace. CCI is emphasizing quality, reliability, dependability and price competitiveness. Cotton Incorporated also is providing leadership in this global promotional effort.

CCI's aggressive promotion in combination with enforceable trade agreements has great potential for significant market expansion for U.S. cotton.

That is why the Council strongly supports NAFTA parity for the Caribbean countries and granting the Administration fast-track negotiating authority. At the same time, though, the Council insists that new trade agreements be fair and equitable and that the U.S. government be prepared to enforce compliance. These benchmarks apply as well to the textile agreement included in the Uruguay Round Agreement and to ongoing negotiations involving China's accession to the World Trade Organization.

Improving risk management tools also remains a top Council priority. Improvements were made to our Cotton Risk Management Network, and staff began member education of this tool with the aim of helping them improve their marketing.

Improved profitability also is reliant on greater efficiency and productivity. These are achievable if public and private research dollars are channeled appropriate-



**Phillip C. Burnett, Executive Vice President
National Cotton Council of America**

ly into technology development. The Cotton Foundation supported the Council's initiative to develop research priorities in order to do just that — channel limited dollars for research to the best projects.

Through focus sessions, industry leadership recently identified production, ginning and textile research priorities with the most potential for a meaningful improvement in production and processing efficiencies. These priorities include yield increases and fiber quality improvements that will enhance the already established premium U.S. cotton commands in the world marketplace.

The Council has demonstrated many times over that it will push for accelerated research and education in specific areas aimed at undergirding profitability.

For example, a special Council task force called for expedited development and refinement of High Volume Instrumentation classing technologies. The Council's Sticky Cotton Task Force recommended that USDA, Cotton Incorporated and the International Textile Center develop a reliable, accurate and repeatable measurement to identify stickiness in raw cotton by December 1998.

U.S. cotton breeders are being urged to take advantage of the Council-administered Winter Cotton Breeding Nursery in Mexico. Increased participation can speed development of commercial varieties and new strains with improved traits such as insect resistance and drought tolerance.

Government decisions will continue to have an enormous impact on every business operation and the profitability of every industry segment. The Council's responsibility, as always, will be to ensure that cotton's interests are considered when our government is establishing policies on agriculture, international trade, the environment, food safety, crop protection chemicals and numerous other regulatory issues.

Smart, articulate industry leaders are guiding policy development and setting strategic goals. A highly capable staff is providing critical policy analysis, economic forecasting, export market development, technical oversight and communications along with indispensable daily representation in Washington, DC. With this teamwork, I believe U.S. cotton can maintain its position as world leader.

A handwritten signature in black ink, appearing to read "Phillip C. Burnett". The signature is stylized and fluid, written over a white background.

**Phillip C. Burnett, Executive Vice President
National Cotton Council of America**

Farm Program and Economic Policy Committee

The Farm Program and Economic Policy Committee establishes the Council's position on such issues as farm legislation and administration, federal tax laws, employment and wages and water law.



Bruce Brumfield, Mississippi producer and former Council President, was appointed by Senate Agriculture Committee Chairman Richard Lugar (R-IN) to serve on the Commission on 21st Century Production Agriculture.

Farm Law

Congress approved a National Cotton Council-supported amendment to the cotton competitiveness provision of the Federal Agriculture Improvement and Reform Act (FAIR) of 1996. The amendment: 1) repeals the prohibition on issuing Step 2 marketing certificates in any week an import quota is open and 2) adjusts the "trigger" level at which certificates can continue to be issued from 130 percent to 134 percent of the prevailing loan rate. Made part of the fiscal 1998 Agriculture Appropriations Act, the amendment becomes effective October 1, 1998.

Late in the year, the Council and some Cotton Belt lawmakers registered objections to a USDA Farm Service Agency (FSA) proposal to create a new deadline for requesting advance contract payments.

The Council also helped to maximize attendance at educational meetings, particularly in Texas, on the 16th Conservation Reserve Program sign-up. The FSA meetings were aimed at helping producers enhance their bids and improve their acceptance rates.

Former Council President Bruce Brumfield was appointed by Senate Agriculture Committee Chairman Richard Lugar (R-IN) to serve on the Commission on 21st Century Production Agriculture. The Commission was established by the FAIR Act of 1996 to evaluate legislation and recommend what federal agricultural policies should be in place after the Act expires in 2002.

Risk Management

With the continued transition to market-oriented farm policy, cotton producers faced the realization of increased risk.

An even higher priority was placed on improving risk management tools as the Council sought to increase industry awareness of its Cotton Risk Management Network (CRMN). Numerous meetings were conducted across the Cotton Belt to familiarize industry members with the network's features, and their input helped staff further develop and refine this tool.

Council President William Lovelady appointed a special task force to review a Commodity Futures Trading Commission (CFTC) proposal that would permit the offer and sale of off-

exchange trade options on certain agricultural commodities, including cotton, grains and oilseeds. In testimony before the CFTC, the Council was supportive of efforts to give producers another risk management tool, but indicated that off-exchange options could create new risks. In meetings with CFTC, USDA and New York Cotton Exchange officials, the task force identified concerns with the proposal and submitted detailed comments to CFTC calling for lifting of the ban on a trial basis but with certain protective guidelines in place.

Crop Insurance

The Council's crop insurance task force worked closely with USDA's Risk Management Agency to make crop insurance a more effective risk management tool. The Federal Crop Insurance Corporation's Crop Revenue Coverage policy was approved for sale in 1998 throughout the Cotton Belt. For the basic multiperil policy, the price discovery mechanism became more transparent and the indemnity price was raised.

However, the Council remained concerned with deficiencies in the cotton insurance policy and asked USDA and the House Agriculture Committee's Risk Management and Specialty Crops subcommittees to address the lack of replant coverage, lack of equal prevented planting coverage for cotton relative to other crops and the inclusion of a 25 percent deductible (unique to cotton) for cotton quality losses.

Jerry Newby, an Athens, AL, cotton and soybean farmer and Producer Steering Committee member, testified before that panel on behalf of all major commodity groups. He urged lawmakers to make up the federal crop insurance program's funding shortfall from agents, companies and growers and not other farm programs.

Tax Relief

Spending reductions in the budget reconciliation bill did not undercut the Taxpayer Relief Act of 1997. That act will benefit all cotton industry segments by providing: estate/death tax relief; Alternative Minimum Tax (AMT) relief; increase in deduction for health insurance premiums for self-employed; capital gains reduction; and limited three-year income averaging.

Early in the year, the Council joined a coalition of 40-plus agricultural groups in support of new AMT legislation and a moratorium by the Internal Revenue Service on enforcement of its interpretation of 1986 tax law regarding deferred payment sales. The interpretation would have forced farmers to be liable for AMT taxes in the year their crop was sold rather than in the year the income is received.

On other key issues, the Council:

- ❖ appealed to USDA to put producer needs ahead of budget-driven staffing and structural changes proposed for its Farm Service Agency;
- ❖ joined the National Cotton Ginners Association in seeking Congressional support and cosponsorship for immigration legislation that calls for a pilot agricultural guest worker program;
- ❖ urged USDA, Cotton Incorporated and the International Textile Research Center to expedite development and refinement of High Volume Instrument (HVI) technologies for measuring color and urged USDA to undertake a comprehensive statistical analysis of alternative techniques for converting HVI readings into color grades;
- ❖ formed a task force to evaluate the current method of computing the Commodity Credit Corporation loan premium and discount schedule and address the relationship between the previous year's loan schedule and current spot market values in establishing loan schedules;
- ❖ sought reinstatement of USDA Economic Research Service's (ERS) *Cottonseed Update*, a report which provided the industry with timely and reliable data on supply/demand and prices for cottonseed, cottonseed meal and cottonseed oil;
- ❖ appealed to ERS to keep other cotton-related reports in place pending a review of industry priorities in light of ERS's resources and capabilities; and
- ❖ reinstated its annual Planting Intentions Survey.



Council President William Lovelady provided industry input on a proposal to permit the offer and sale of off-exchange trade options during a Commodity Futures Trading Commission hearing in Memphis.



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- Donna B. Winters (Producer), Lake Providence, Louisiana
- John Woolf (Ginner), Huron, California

International Trade Policy Committee

The International Trade Policy Committee directs the Council's stance on trade policy and negotiations.



The Council was quick to make known its support of fast-track trade negotiating authority through news releases distributed electronically to Washington, DC, media and to newspapers and broadcasters in lawmakers' home districts.

As the U.S. cotton industry makes the transition to less U.S. government support and involvement in production agriculture, the need for strong demand and open markets has made the development of appropriate international trade policy a crucial component of the Council's day-to-day functions. Long-term industry profitability depends on a forward-looking trade strategy that will ensure industry access to international markets and protection from competitors' unfair trade activities.

Trade Strategies for the Next Decade

The ultimate goal of the Council's trade strategy is to ensure that potential markets are open to U.S. cotton, cottonseed and their products and that the U.S. is positioned to compete for market shares. The International Trade Policy Committee also is intent on ensuring that the U.S. combat unfair trade policies and practices of U.S. cotton's competitors.

Trade policy emphasis throughout the industry has shifted away from import protection to foreign market development. As a result, the Council is broadening its traditional efforts to encompass the expanding role of multilateral organizations and multilateral trade negotiations. Council-supported regional trade arrangements have clearly demonstrated the advantages associated with carefully negotiated, liberalized trading arrangements between countries whose comparative advantages can be merged to their mutual economic benefit.

Fast-track Negotiating Authority

Capitalizing on opportunities to further open markets within the western hemisphere to U.S. cotton and its products was the primary reason the Council was fully supportive of attempts to provide the Administration with fast-track trade negotiating authority. Fast-track legislation, as considered by both houses of Congress, contained strong agricultural negotiating language, evidencing the importance of agricultural trade to the U.S. economy.

The Council's decision to support fast-track negotiating authority legislation was bolstered by the fact that cotton consumption in Latin America had increased by almost 57 percent in the last seven years, and is reasonably expected to add another 3 million bales to cotton demand in the next seven years. U.S. trade negotiators indicated hemispheric trade arrangements would be a priority — providing new opportunities for U.S. cotton.

Despite a cooperative effort between the Democratic Administration and the Republican leadership in Congress, fast-track appeared to lack sufficient support and the vote was postponed. The Council will continue to counter misinformation generated by environmental and labor groups opposing this trade negotiating authority and work toward passage of fast-track in the next Congress.

Caribbean Basin Parity

A plan to provide NAFTA-like textile trade benefits to countries in the Caribbean Basin failed to pass Congress. The Council worked with the American Textile Manufacturers Institute (ATMI), the American Yarn Spinners Association and other interested parties in an attempt to ensure that cotton's interests were reflected in the legislation. Among the plan's more important provisions was one that would have increased use of U.S.-produced cotton yarn. Concerns from the labor community in the U.S., along with conflicting demands by U.S. retailers and importers, prevented the industry from obtaining an ideal legislative product and undermined Congressional support.

China

Chinese policy toward cotton and cotton trade was unsettled during 1997. Its raw cotton stocks remained high and non-competitive while its commitment to man-made fibers increased. China announced tax rebate plans for specific cotton producing regions designed to enhance competitiveness, but implementation of the plan was sporadic and confused.

As China grappled with overpriced stocks and wavering domestic production, it remained unwilling to offer sufficient concessions to ensure its membership in the World Trade Organization (WTO). The



Council submitted comments in response to a Federal Register notice on the China negotiations. The 10-point paper reflects Council policy and argues strongly that the WTO negotiations must result in significant market access for raw cotton, cottonseed and oil products and textiles into China.

Former Council President Jerry Calvani accompanied Ambassador Peter Scher (chief negotiator for agriculture) and Deputy Undersecretary Jim Schroeder in a high level official trade delegation that traveled to China to discuss the WTO accession negotiations. At each opportunity throughout the year, Council representatives have conveyed to Chinese officials and members of the U.S. negotiating team the message that China must open its markets; it must comply with international trade agreements, including restrictions on subsidization; it must protect intellectual property rights; and it must make its trading rules transparent.

Biotechnology

The Council participated in a coalition of U.S. commodity groups concerned with international trading rules governing new biotech products. In meetings with registrants, USDA, USTR and Congressional staff, the Council has urged registrants to initiate consumer education efforts and federal agencies to better coordinate regulatory and negotiating activities. The Council has been an active participant in the discussions and is participating in a forum known as Ag for Biotech (a coalition of industry and farm groups) and the International Food Information Council (IFIC), a respected organization which provides scientific information about bio-tech products.

The Council also joined with other groups in urging Agriculture Secretary Dan Glickman, Trade Representative Charlene Barshefsky and Congressional leaders to express strong objections to European Union proposals to require labeling and segregation of biotech products unless the requirements are based on sound science.

Multilateral Issues

As the WTO matures into a fully functioning trade dispute-settlement body, other issues of international scope have begun to be considered on a multilateral basis. The Council has increased its monitoring of international discussions concerning global warming and biological diversity. International treaties developed on these points are potential sources of new regulatory burdens and controls on production agriculture and processing operations.

Trade Impediments

The Council protested Brazil's decision to restrict the use of private credit to purchase imported products by preventing the purchase of articles on terms of 360 days or less. In letters to the U.S. Trade Representative and officials of the Foreign Agricultural Service, the Brazilian rules were characterized as non-tariff trade barriers which will be detrimental to U.S. agricultural exports. By year's end, the Brazilian action had been identified by the USTR in its annual report on artificial trade barriers that is submitted to Congress.

Efforts to improve the operation of the export credit guarantee program continued.

The Council urged USDA to remove the requirement that export shipments to Mexico be verified by a document signed by a Mexican official before the guarantee would be valid. The Council also urged, with success, increases in GSM-102 credit guarantees to South Korea in response to mill customer needs and unstable Asian economies.



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Craig T. Ulrici (Ginner), Mendota, California
John W. Vandiver, Jr. (Crusher), Decatur, Alabama
Robert R. Waters, Jr. (Ginner), Scotland Neck, North Carolina
Tri Watkins (Warehouseman), Lepanto, Arkansas
Bob Weatherford (Cooperative), Corpus Christi, Texas
Mark D. Williams (Producer), Farwell, Texas

Public Relations and International Market Development Committee

The Public Relations and International Market Development Committee guides an extensive program to expand U.S. cotton exports while building a greater understanding of the U.S. cotton industry through effective communications and information services.



Missouri producer Charles Parker welcomes media to the Council's briefing and demonstration of the Cotton Risk Management Network.

Public Attitudes

Membership in the Agriculture Council of America enabled the National Cotton Council to have input on food safety and other issues shaping public perception of U.S. agriculture.

Involvement in this coalition also afforded the industry an opportunity to heighten consumer awareness of agriculture through events such as the 1997 National Agriculture Week in Washington, DC. Council President William Lovelady co-chaired the observance which was held under a theme of "Growing Better Every Day ... Together" and emphasized American agriculture's responsiveness to consumers' desires.

The Council reinforced its issues positions to lawmakers by communicating through news releases distributed to major business wire services and other trade and consumer media. This included releases on the industry's intent to seek adjustments to the federal cotton program, opposition to modifications of USDA's successful Market Access Program and full support of fast-track legislation. In advance of the fast-track vote, the Council targeted selected states of undecided lawmakers with a media blitz that included distribution of releases and broadcast reports to newspapers, wire services and farm radio networks and stations.

After environmentalists called EPA's approval of "genetically modified" crops unlawful, the Council responded quickly with a release calling the legal petition unfounded. The release pointed out the economic and environmental benefits that have accrued from using Bt cotton as part of an integrated pest management program.

The value to agriculture of strong publicly supported research was the focus of the Council's June 1997 *Cotton Commentary* issue that was distributed to key lawmakers and other national opinion leaders. Articles described cotton's extensive research network, listed cost-cutting technology that has been developed from federal and university scientists and featured articles from several Congressmen on the importance of maintaining a solid investment in agricultural research programs.

The industry's voice was magnified nationwide via 1,900 radio stations that are in the National Association of Farm Broadcasters (NAFB) satellite distribution system. Council participation in the NAFB annual "Trade Talk" session reinforced that effort as more than 35 interviews were granted to farm broadcasters from across the country by Council staff and the National Cotton Women's Committee.

"Grown and Made in the U.S.A."

Members of the National Cotton Women's Committee (NCWC) engaged in hundreds of events, from school visits to fashion shows, in their effort to increase consumer purchases of U.S. cotton products. The women reached thousands of consumers with the message that "every American should exercise their label rights" when they shop.

NCWC officers and members visited with retailers and manufacturers at the Dallas and Atlanta apparel markets in an effort to get more cotton apparel and products on store shelves. The women also modeled original cotton fashions at the Beltwide Cotton Conferences and at several events across the Cotton Belt, including the Texas State Fair where "Naturally Texas" designer cotton clothing was featured.

The volunteers, now more than 600 strong, also took on another challenge in 1997 — educating consumers on the new illustration-only fabric care labels that were approved by the Federal Trade Commission.

Information Services

Multiple communications vehicles kept members informed on time-sensitive issues of concern to the U.S. cotton industry.

The amount of information that was posted on the Council's World Wide Web site increased dramatically in 1997. Those postings ranged from the daily cotton news updates and *Cotton's Week* to periodic Action Alerts, news releases and newsletters such as the *Cotton Economic Review* and *Cotton Physiology Today*.

Cotton Commentary, the Council's quarterly membership publication, provided a valuable outlet for insightful and in-depth information on key issues and programs of interest to members. Updates on Council and Cotton Council International (CCI) activities also were communicated via Executive Vice President Phil Burnett's "Cotton's Agenda" column and the "Global Cotton" columns in *Cotton Farming* magazine. Another Council-supplied column in that magazine focused on farmers' unique practices to enhance the environment and on the expansion of Council-supported environmental excellence programs.

Member awareness of the importance of managing risk was a priority. Seventeen national business and farm trade media organizations participated either on-site or via conference call in the Council's news briefing and demonstration of its Cotton Risk Management Network. A series of risk management seminars held in the Mid-South in cooperation with the Southern Cotton Association and the New York Cotton Exchange also were promoted.

The Council continued to broaden its distribution of Council activity and industry-related news by modem to its general and Washington update pages on the Data Transmission Network and to thousands of radio stations nationally via its Cotton Radio Hotline, Washington Agenda radio program and NAFB satellite distribution system.

Promotion Services

Increased exposure was brought to CCI's overseas and domestic activities, both externally and internally. CCI Fax relayed key activities and developments weekly to Council member shippers. News releases focused on CCI's efforts to boost both raw cotton and manufactured cotton product exports.

Communications support was provided to other cotton interest organizations. That included communicating the Cotton Warehouse Association's development of uniform cotton flow standards and assisting the Texas Boll Weevil Eradication Foundation in its information campaign that led to a successful vote to retain the South Texas/Wintergarden program.

International Market Development

CCI continued to broaden and deepen its export promotion effort.

These activities, which serviced exports of U.S. cotton fiber and cotton products and elevated awareness of the COTTON USA Mark, were supported by the U.S. cotton industry and USDA.

The Council, Cotton Incorporated, the American Cotton Shippers Association, AMCOT, the Supima Association, the American Textile Manufacturers Institute (ATMI), the New York Cotton Exchange and Dow AgroSciences, through The Cotton Foundation, all contributed to CCI's international marketing program.

An innovative and award-winning "GET REAL" jeans campaign in Asia was one of the most successful promotions in recent CCI history. This effort dramatically increased the COTTON USA Mark recognition at the retail level in Asia while helping contribute to increased sales of jeans products in each country.

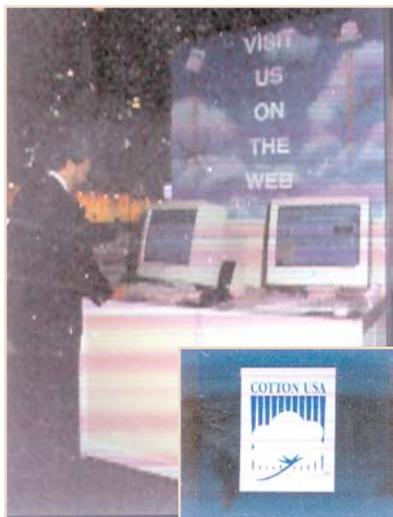
The launch of the COTTON USA Mark in Colombia in 1997 was the perfect beginning for expanded promotion at the consumer level in Latin America. Colombia licensees have since increased from four companies to 14. Similar consumer advertising campaigns are scheduled for Ecuador, Venezuela and Brazil.

Trade servicing activities continued to solidify existing relationships and open doors to new markets.

Two executive delegations visited important markets in China and Latin America. CCI conducted its annual COTTON USA Orientation tour of the Cotton Belt, and also hosted buyers from the prestigious London-based Marks & Spencer department store. The COTTON USA Apparel Manufacturers tour brought overseas customers to the U.S. where they met with textile manufacturers, established new working relationships and made purchases of U.S. cotton products.

CCI expanded its Web site (www.cottonusa.org) to make additional information about U.S. cotton and cotton products accessible to overseas customers. Copies of its newly-released COTTON USA On-Line Web/CD are being distributed to U.S. cotton's customers worldwide to tie them even more closely to the industry's products and services.

CCI also completed six market research studies, keying on markets in China, Germany, United Kingdom, Japan, Hong Kong, Singapore, Taiwan, Italy, Belgium, Saudi Arabia, UAE, Bahrain, Qatar and Oman to boost U.S. manufacturer knowledge of market opportunities for their cotton yarn, fabric and finished goods.



David Collins, CCI assistant director, readies a kiosk where visitors to the Cotton Incorporated/CCI pavillion at the Interstoff Asia Trade Show in Hong Kong could visit CCI's COTTON USA World Wide Web site.



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(Merchant)**
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Chairman



**Craig D. Shook
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Corpus Christi, Texas —
Vice Chairman

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Mark Bishopric (Manufacturer), Eden, North Carolina
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W. L. Corcoran (Producer), Eufaula, Alabama
A. C. Dominick, Jr. (Cooperative), Mira, Louisiana
John L. Edmonston (Ginner), Hornersville, Missouri
Peter Egli (Merchant), Phoenix, Arizona
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Jim Gale (Ginner), Chandler, Arizona
Charles B. Griffin, Jr. (Cooperative), Lewiston, North Carolina
James B. Hansen (Producer), Corcoran, California
Lela Harvey (Ginner), Las Cruces, New Mexico
John T. Hill (Manufacturer), Lancaster, South Carolina
Boyd Holley (Producer), Bastrop, Louisiana
Ronnie Hopper (Producer), Petersburg, Texas
E. Kirk Hull (Crusher), Memphis, Tennessee
Whit James (Ginner), Dalzell, South Carolina
Hans Georg Kretschmer (Cooperative), El Paso, Texas
George LaCour (Producer), Morganza, Louisiana
Bernard J. Leonard (Manufacturer), Greensboro, North Carolina
Kenneth Lewis (Producer), Dunn, North Carolina
Harry Lott, Jr. (Ginner), Greenwood, Mississippi
Larry R. McClendon (Ginner), Marianna, Arkansas
Mike McMinn (Ginner), Waxahachie, Texas
Gerald C. Marshall (Merchant), Memphis, Tennessee
Larry Nelson (Ginner), Edmonson, Texas
Robert W. Norris (Cooperative), Bakersfield, California
Buford Patterson (Crusher), Sweetwater, Texas
John R. Phillips (Producer), Cochran, Georgia
John F. Pike (Ginner), Rule, Texas
Dale W. Player (Cooperative), Bishopville, South Carolina
Lawrence F. Preston (Merchant), Fresno, California
George L. Pugh (Warehouseman), Portland, Arkansas
Fred L. Starrh (Producer), Shafter, California
Henry T. Stratton (Merchant), Memphis, Tennessee
John H. Swayze (Ginner), Benton, Mississippi
Ronald K. Tatum (Warehouseman), Vicksburg, Mississippi
J. Fletcher Terry (Manufacturer), Macon, Georgia
Rodney Tharp (Producer), Las Cruces, New Mexico
Gary Twyford (Warehouseman), Memphis, Tennessee
Ross G. Via (Producer), Bells, Tennessee
Heather Walker (Crusher), Phoenix, Arizona
Joseph Walker, II (Merchant), Columbia, South Carolina
G. Fred Wallace (Crusher), Germantown, Tennessee
Adolph Weil, III (Merchant), Montgomery, Alabama
Paul Welder (Manufacturer), Greenwood, South Carolina
David R. Winters (Crusher), Richmond, Texas
Sammy Wright (Crusher), Valdosta, Georgia

Research and Education Committee

The Research and Education Committee seeks to attain larger and more effective cotton research and education programs to reduce production and processing costs and to improve cotton fiber and oilseed products.



George Herron, a Virginia textile manufacturer, shows cotton producers and others samples of contaminated cotton fabric at a Council-sponsored contamination prevention booth in the "Producing The Best Workshop" at the 1997 Beltwide Cotton Conferences.

Research/Education

The Agriculture Research Title reauthorization, which would extend existing programs through fiscal year 2002, passed the House, but stalled before reaching a Conference committee. The legislation would authorize several new programs and create several requirements designed to make federal agricultural research activities more accountable. The legislation also would authorize a new National Agriculture Weather Information System and an Agricultural Genome Initiative to enhance the study and mapping of agriculturally significant genes. The Secretary of Agriculture also would be required to establish an Office of Pesticide Management Policy.

Earlier in the year, Jimmy Sanford, Alabama producer and chairman of the industry's Research Task Force, outlined National Cotton Council-led research efforts, including those supported by The Cotton Foundation, at a House Agriculture subcommittee hearing.

The Council also submitted recommendations for future production and processing research. These priorities were based on a series of Focus on Research sessions with industry representatives, researchers and Extension leaders across the Cotton Belt in 1996 and early 1997. The focus was on projects designed to keep cotton competitive for the next 20 years.

Contamination

The Council stepped up its effort to heighten industry awareness on preventing contamination of seed cotton and lint.

Manufacturer George Herron and Council staff manned a contamination prevention booth at the 1997 Beltwide Cotton Conferences.

A three-dimensional mini-display was developed and distributed to more than 1,200 gins and to U.S. textile manufacturers, producer and ginner organizations, USDA Extension service offices and others involved in cotton production education. The display contained a contaminated shirt, a piece of orange plastic baling twine and a piece of nylon module strapping along with information on various contaminants and prevention steps. The display received support from the Foundation, the National Cotton Ginners Association and the Southern Cotton Ginners Association.

Shay Simpson, the Council's manager of marketing/processing technology, toured the Cotton Belt using an information booth and presentations to educate producers and ginners

about prevention practices. Textile manufacturers were on hand to answer questions about the severe problems caused by contaminants.

A news release issued to trade and consumer media pointed out that contamination had increased in recent years. The statement urged industry members' diligence in preventing contamination during the harvesting and ginning season.

Beltwide Cotton Conferences

The Beltwide Cotton Conferences continue to grow both in size and significance as global competition intensifies and the need for production and processing efficiencies increases.

The Council took measures to ensure that the 1998 conferences provided members a wealth of information to help improve their bottom lines. The Cotton Production Conference program emphasized cost-cutting techniques and included numerous producers discussing the specifics of using newer tools such as transgenic cottons and insect growth regulators. The forum also featured multiple user-friendly production workshops designed to help growers fine-tune their production systems and improve their risk management abilities.

Foundation members stepped up their support by underwriting the conferences' Internet Center and an "Exhibitors' Center" at the Foundation's Technical Exhibits.

Other Educational Activities

Dr. Anne Wrona, coordinator of the Council's Cotton Physiology Education Program, expanded the *Cotton Physiology Today* newsletter. Drawing from a greater number of the Cotton Belt's leading scientists and Extension specialists, the newsletter provided producers in-depth information on variety selection, crop monitoring and other key production-related practices.

Dr. Wrona also assumed the role of managing editor of the Foundation's new *Journal of Cotton Science*. The multidisciplinary, refereed journal is in electronic form only and resides on the Council's Web site, www.cotton.org. The purpose is to give producers and researchers a central, easily accessible base of proven research findings.

Cotton Insects and Mites: Characterization and Management, another in the Foundation's Reference Book Series, was published in early 1997, and the Council stepped up efforts to disseminate the four volumes in the series.

The first meeting of the Council's special task force on sticky cotton was held. Led by Larry Nelson, Texas producer/ginner, the panel agreed that an aggressive grassroots educational program is the most immediate solution to eliminating this quality-robbing problem. They also cited the importance of developing an efficient detection system, and recommended research be expedited in that area.

Pest Management

Communication with the Environmental Protection Agency intensified with the implementation of the Food Quality Protection Act of 1996.

Recognizing the important role that plant protection products play in pest management, the Council sought to keep a variety of these products in the marketplace. That effort included providing input to EPA on Section 18 emergency uses and other registration agreements to keep several key insecticides available to producers.

The Council continued to participate in issues of Bt resistance management in cotton. In a public hearing conducted by EPA on plant pesticide resistance management, the Council reported that the industry was taking resistance management seriously and that more focus should be given to the integrated pest management approach in combating resistance.

The Council urged Congress to make appropriations available in fiscal 1998 and to provide producers additional lending authority under a federal loan program in order to keep the National Boll Weevil Eradication Program on track. USDA's Farm Services Agency granted operational loans to the Mississippi Boll Weevil Management Corporation, the Texas Boll Weevil Eradication Foundation and the Southeastern Boll Weevil Eradication Foundation.

During 1997, trapping and monitoring was intensified in the Southeast to eliminate isolated weevils, and eradication programs in North Alabama and Middle Tennessee neared completion. Eradication programs were renewed in the South Texas/Wintergarden area and implemented in Texas' Central Rolling Plains following completion of new state enabling legislation. Louisiana's Red River area, southwestern Arkansas and eastern and central Mississippi initiated programs in August 1997. Start-up referendums were approved by producers in Mississippi's southern Delta, Oklahoma, southern and central Arkansas and southwestern Tennessee.

The Council's Boll Weevil Action Committee, chaired by Missouri producer Charles Parker, approved USDA's Animal & Plant Health Inspection Service's proposed allocation of fiscal 1998 direct appropriations and reviewed anticipated requests of USDA Farm Service Agency loans to boll weevil programs in 1998.

The Council's Pink Bollworm Action Committee approved plans for an areawide maximum suppression/eradication plan for the Colorado River Basin, including California, Arizona and a cotton-producing region in northern Mexico. Mexican officials also attended the meeting to help provide coordination in that country.



Texas Producer Woody Anderson, right, joined Rep. Charles Stenholm (D-TX), far left, and Terry Dane, chief executive officer for the Texas Production Credit Association, at a media briefing in Abilene to announce a Farm Service Agency loan to the Texas Boll Weevil Eradication Foundation.



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(Manufacturer)**
Spartanburg,
South Carolina —
Chairman



**Woody Anderson
(Producer)**
Colorado City, TX —
Vice Chairman

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Larry Chaney (Producer), San Joaquin, California
Dean Church (Cooperative), Sweetwater, Texas
Gary Conkling (Crusher), Oklahoma City, Oklahoma
Ron Craft (Producer), Plains, Texas
A. C. Culpepper (Warehouseman), Kennett, Missouri
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Mark Dutra (Merchant), Fresno, California
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Tom Ingram (Producer), Opelika, Alabama
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H. L. Lewis (Producer), Dell, Arkansas
Clayton Lowder, Jr. (Ginner), Oswego, South Carolina
P. L. McCall, Jr. (Producer), Society Hill, South Carolina
Hamill McNair (Producer), Camilla, Georgia
Bradly S. MacNealy (Warehouseman), Indianola, Mississippi
Tommy Malin (Warehouseman), Memphis, Tennessee
James C. Massey (Cooperative), Kingsville, Texas
Scott Middleton (Crusher), Jonestown, Mississippi
Jim Ed Miller (Producer), Ft. Hancock, Texas
Walter S. Montgomery (Manufacturer), Spartanburg, South Carolina
Carl W. Nelson, Jr. (Warehouseman), Selma, Alabama
Charles M. Noble, III (Producer), Rayville, Louisiana
Gary Osborn (Ginner), Elk City, Oklahoma
Charles H. Parker (Producer), Senath, Missouri
Ted A. Pierce (Producer), Buckeye, Arizona
Tom R. Pitts (Merchant), Greenwood, Mississippi
Johnny Reid (Ginner), Loving, New Mexico
Robert R. Riggs (Crusher), Quanah, Texas
Laura Rohloff (Crusher), Phoenix, Arizona
James C. Self, III (Manufacturer), Greenwood, South Carolina
Holt Shoaf (Ginner), Medina, Tennessee
Jerry Stutts (Cooperative), Bonita, Louisiana
Martin K. Sweetser (Producer), Deming, New Mexico
Anderson D. Warlick (Manufacturer), Gastonia, North Carolina
Bill Webb (Merchant), Dallas, Texas
George R. Wheeler (Manufacturer), Sanford, North Carolina
John Willis (Producer), Brownsville, Tennessee
William H. Wilson (Cooperative), Dos Palos, California

Packaging and Distribution Committee

The Packaging and Distribution Committee works to enhance bale packaging, handling, storage and movement through the use of improved materials and electronic technology.



Plastic strapping, approved for use as bale ties by the Joint Cotton Industry Bale Packaging Committee, was used on more than eight percent of the 1997-98 crop. More than half of that crop bore the new Permanent Bale Identifier, a tag that distinguishes each bale with a unique 12-digit number.

Packaging

U.S. cotton's overall value was boosted through such programs as permanent bale identification and uniform bale packaging.

In a significant departure from previous cotton bale specifications, the Joint Cotton Industry Bale Packaging Committee (JCIBPC) approved high-strength polyester strapping and thinner yet stronger wire for tying cotton bales. The new materials were approved following several years of experimental field and laboratory testing.

The Committee also adopted new procedures requiring approved bagging manufacturers and importers to re-certify packaging materials every third year after initial approval. The re-certification process would involve intermittent, random testing.

A new JCIBPC subcommittee met several times to finalize the update of "A Guide for Cotton Bale Standards," slated for June 1998 distribution.

Testing of five bag types and six types of bale ties was approved and performed during 1997. Excellent crop sizes in West Texas allowed experimental bagging to undergo rigorous testing due to outside storage. Test programs will be reviewed at the February 1998 JCIBPC meeting in Memphis.

Permanent Bale Identification

A permanent identifier developed by the National Cotton Council's Permanent Bale Identification Task Force began to be placed on bales harvested in 1997. The permanent bale identification (PBI) system is aimed at reducing costs industrywide by not only improving handling efficiencies but also reducing record-keeping errors. PBI adds value to U.S. cotton by enabling textile mills to streamline their receiving and inventory operations.

The PBI Task Force, chaired by textile manufacturer George Herron, recommended that the PBI system should be fully implemented in 1998, with 1997 being a transition year to allow ginners to deplete their inventory of old tags. This timetable was approved by Council delegates, and an estimated 50 percent of the 1997 crop is expected to be tagged with a unique 12-digit number in a standard tag format.

Cotton Flow

The Council's Board of Directors approved a uniform set of cotton flow standards that was developed by the Cotton Warehouse Association and the American Cotton Service Warehouse Association.

The new standards: 1) require warehouse operators to ship at least 4.5 percent of their licensed storage capacity per week, or face penalties; 2) require shippers to pick up cotton on the agreed upon date, or face penalties; and 3) establish an arbitration system to handle complaints between warehouse operators and shippers. USDA also was asked to make the standards a requirement for all cotton storage agreements between the Commodity Credit Corporation and warehouses.

Hazardous Cargo

Test results and other data were submitted to the U.S. Department of Transportation (DOT) as a petition to get baled cotton deregulated as a class 4.1 flammable solid under International Maritime Organization (IMO) regulations for vessel shipment and as a class 9 hazardous substance under DOT regulations for domestic shipment. A paper has been submitted to the IMO by DOT proposing baled cotton be deregulated for the reasons the Council outlined.

A decision to deregulate baled cotton is expected at the IMO meeting in London in February 1998. If IMO deregulates cotton, DOT also will remove baled cotton as a class 9 hazardous substance.

Computer/Electronic Technology

The Council continued to develop its World Wide Web site: www.cotton.org, which received an average of 5,000 visitors per month reading an average of 3,000 pages per day. Additional information about cotton and the U.S. cotton industry was put on-line. Also, new electronic information sources such as the Council's Cotton Risk Management Network and its *Journal of Cotton Science* have established a framework for future economic data and electronic publications.

The Council used the 1998 Beltwide Cotton Conferences to hasten industry members' awareness of and adoption of computer technology. For the first time, conferees were able to register for the meeting via the Council's Web site. They also participated hands-on at an Internet Center where staff helped familiarize them with the World Wide Web.



The Council sought to hasten industry's adoption of computer technology by providing conferees at the 1997 and 1998 Beltwide Cotton Conferences access to the Internet and experience with computer software.



**Heiko Meyer
(Merchant)**
Memphis, Tennessee -
Vice Chairman

**Van A. May
(Cooperative)**
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Ty Cardin (Warehouseman), Cordele, Georgia
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James W. Chesnutt (Manufacturer), Henderson, North Carolina
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William R. Hill (Manufacturer), Clinton, South Carolina
Roger Hooper (Producer), Casa Grande, Arizona
Hollis O. Isbell (Producer), Tusculumbia, Alabama
David L. Johnson (Merchant), Fresno, California
C. B. King (Cooperative), Pelehatchie, Mississippi
Gail Kring (Crusher), Lubbock, Texas
John B. Lanning (Ginner), Artesia, New Mexico
Sam O. Leake (Warehouseman), Newellton, Louisiana
Larry G. Lively (Warehouseman), Memphis, Tennessee
David K. Lynch (Producer), Bennettsville, South Carolina
Peter B. McCleskey (Warehouseman), Seminole, Texas
Murry G. McClintock (Ginner), Tunica, Mississippi
Gary McDonald (Crusher), Natchitoches, Louisiana
William McMurtry (Crusher), Casa Grande, Arizona
Malcolm Magar (Cooperative), Altus, Oklahoma
W. Neely Mallory, III (Warehouseman), Memphis, Tennessee
Timothy L. Methvin (Producer), Natchitoches, Louisiana
Bill Mikeska (Ginner), Eola, Texas
Bill Minor (Crusher), Tifton, Georgia
John D. Mitchell (Merchant), Selma, Alabama
Gary Nichols (Warehouseman), Memphis, Tennessee
Keith Pendergrass (Ginner), Donalsonville, Georgia
Chris W. Pope (Ginner), Emporia, Virginia
Larry Schwertner (Producer), Ballinger, Texas
John F. Shackelford, III (Ginner), Bonita, Louisiana
Charles B. Sherrill, Jr. (Producer), Mohave Valley, Arizona
Leonard P. Simmons, III (Producer), Harlingen, Texas
Neill M. Sloan (Warehouseman), Portland, Arkansas
Robert Snodgrass (Cooperative), Taylor, Texas
John D. Stewart, III (Crusher), Greenwood, Mississippi
Jeffrey A. Thompson (Cooperative), Prattville, Alabama
Mike Tomlinson (Crusher), Levelland, Texas
Wendell Tucker (Warehouseman), Quanah, Texas
Joe D. Vierra (Cooperative), Stratford, California
John F. Visic (Ginner), Casa Grande, Arizona
William S. Weaver (Producer), Edmonson, Arkansas
R. L. Webster (Producer), Waynesboro, Georgia

Health, Safety and Environmental Quality Committee

The Health, Safety and Environmental Quality Committee seeks to achieve reasonable legislation and scientifically based government regulations for pesticides, textile chemicals, worker safety/health and other matters, and assists in appropriate enforcement within the industry.



Texas producer Jimmy Dodson, right, chaired the Council's highly active Environmental Task Force in 1997.

Conservation Reserve Program

Key objectives were to emphasize that soil erosion is a cornerstone of the conservation reserve and should not be diminished in meeting other environmental concerns.

Texas producer Jackie Burris testified before the House Agriculture Committee on behalf of the Council regarding Conservation Reserve Program (CRP) requirements and priorities. The Council also facilitated discussions between Texas leadership, USDA's Farm Services Agency committee members and other USDA officials during education efforts for the 16th CRP sign-up.

Environmental Task Force

The Environmental Task Force had a very active year making policy recommendations on a myriad of issues. Chairman Jimmy Dodson participated in a National Resource Management Workshop emphasizing the need for voluntary, farmer-controlled initiatives and represented the Council at the first ever Ag/Sportsmen's Summit. Task Force members met with the registrant community's Federal Insecticide, Fungicide and Rodenticide Act Endangered Species Task Force to help them address landowner concerns as they work with the Environmental Protection Agency (EPA) to meet registration data requirements.

Food Quality Protection Act (FQPA)

To reach the objective of favorable implementation of new crop protection product registration requirements for the cotton industry, significant Council resources have been committed to reasonable interpretation of the Food Safety law which passed in 1996.

The Council worked on access to several important crop protection products. Council leaders and the Environmental Task Force met with EPA officials on several occasions to discuss concerns over individual products and with FQPA implementation in general. As a member of the FQPA Implementation Working Group Steering Committee, the Council is developing an overall strategy for FQPA implementation.

Clean Air

In addition to regulatory efforts to respond to the new ozone and particulate matter standards, the Council was involved in legislative activities on these subjects. Council members wrote their Congressional delegations urging support for bills which would have delayed implementation of the standards until better data and research could be developed. In addition, the Council played a key role in numerous meetings with the House Commerce and Agriculture Committees on clean air issues.

Dr. Phil Wakelyn, the Council's senior scientist, environmental health and safety, served as a member of the Secretary of Agriculture's Task Force on Agricultural Air Quality Research.

On other issues, the Council:

- ❖ worked against unnecessary permit requirements and fees as states implemented their federal operating permit programs under Title V of the Clean Air Act (CAA);
- ❖ sought guidance to clarify potential-to-emit permit requirements for gins;
- ❖ worked with EPA on the development of appropriate air emissions factors for gins;
- ❖ worked on control technology standards for cottonseed oil mills for control of hexane emissions and for process heaters for cotton gins, and assisted the American Textile Manufacturers Institute (ATMI) with development of control technology standards for textile mills;
- ❖ opposed unnecessary EPA revision of the particulate matter and ozone standards and regulation for regional haze and non-diesel engines;
- ❖ served on EPA advisory panels for potential-to-emit to help work out guidance for small business and new source review to help determine the impact of these new regulations on small business;
- ❖ assisted cottonseed oil mills with compliance with stormwater regulation changes;
- ❖ is working with a vegetable oil coalition to get EPA, for purposes of water regulation requirements for spill prevention and facility response plans, to treat vegetable oils/animal fats facilities differently from those facilities that store petroleum-based oils; and
- ❖ focused on Endangered Species Act reauthorization and water regulations.

International Environmental Treaties

Council staff, working with other agricultural groups, successfully raised agriculture's concerns with USDA and Congress on the potential impact of the U.N. Climate Change Treaty on agriculture.

Work continues with other agriculture and business groups toward a legislative amendment to the Clean Air Act that would extend the date for full phase-out of methyl bromide, the main fumigant used on cotton, to January 1, 2010 - the same date as the amended Montreal Protocol.

Respirable Fibers

The Council worked with USDA and others to develop information concerning lev-

els of respirable cotton fibers in cotton operations and the health effects of these fibers. This information will be used to remove cotton from the list of organic and mineral fibers under consideration by EPA under the Toxic Substances Control Act as a "respirable fiber" that can cause health problems similar to those caused by asbestos.

Cotton Cares

Guided by the Environmental Task Force, the Council put into action a plan to promote "Cotton Cares," and increase participation in that voluntary producer-driven environmental excellence program. The Council continued to communicate to EPA, industry and others its leadership role in environmentally responsible production through many environmental programs, including the Integrated Pest Management Initiative, Careful By Nature and High Cotton Awards.



South Carolina producer Roy Baxley, a Cotton Cares participant, talks about cotton and environmental preservation to students in Dillon, SC.



Ecolabeling and Standards

The European Commission's current proposal to enlarge the product group covered by the bed linens and T-shirts ecolabel criteria to include all textile products and uses has the potential to impose informal trade barriers against U.S. cotton and textile products. The Council is working closely with ATMI on several ecolabeling issues to prevent any discriminatory labeling. As part of the U.S. Allied-Textile Industry Standards Coalition, the Council is participating in national and international standards development activities to promote cotton interests.

Flammability

Dialogue with the Consumer Product Safety Commission (CPSC) and textile, apparel and furniture industry groups continued as a way to bring about reasonable flammability standards for general wearing apparel, upholstered furniture, mattresses and bedding and in changes to the laundering requirements for all flammability standards.

In addition, the Council is working with the American Apparel Manufacturers Association and CPSC on technical changes to the fit requirements of the recently amended Children's Sleepwear Flammability Standards, which should increase cotton markets.

OSHA

The Council and the National Cotton Ginners Association supported recently introduced Occupational Safety and Health Administration (OSHA) modernization legislation in the House and Senate. This would foster improvements in health and safety by encouraging the voluntary use of third-party consultation, safety and health programs and voluntary workplace health and safety assessments.

Valuable input was provided into stakeholder meetings on the impact on small businesses of OSHA proposals on comprehensive safety and health management programs, permissible exposure limits, ergonomics, and crystalline silica.

The Council and ATMI sponsored a study on the effects of extended workshifts and exposure to cotton dust and continue to develop information aimed at preventing unnecessary regulatory enforcement of the cotton dust standard and respirator use for textile workers working 12 hour shifts.

Cottonseed Contaminants

Coordination with the Multi-Crop Aflatoxin Task Force and USDA helped keep aflatoxin research efforts strong. The goal is to eliminate aflatoxin by 2001. The Council is assisting Dr. Peter Cotty, USDA, with permit requirements for the aflatoxin biocontrol agent which is being used in field trials on cotton in Arizona. Collateral efforts with the National Cottonseed Products Association were aimed at potential Federal Drug Administration regulation for other contaminants (e.g., dioxin and *Salmonella*).



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Cotton Council International

Cotton Council International (CCI) is the export promotions arm of the National Cotton Council. CCI's activities are guided by its Board of Directors and stem from resolutions of the National Cotton Council's Public Relations and International Market Development Committee.



In addition to face-to-face meetings with textile manufacturers, a CCI-hosted buying team from London-based Marks & Spencer also managed a visit to a West Tennessee farm and gin.

The COTTON USA Advantage

With the growing influence of man-made fibers in markets outside the U.S., the importance of CCI's market development work and its COTTON USA program promotion increased. CCI was effective in its two-pronged promotion of both raw cotton exports and exports of U.S. cotton yarn, fabric and finished goods through its trade servicing and COTTON USA Mark consumer promotion efforts.

Trade Servicing

With good crops in other exporting countries, CCI's development of customer relationships intensified in the highly competitive global marketplace.

That is why CCI sent its second executive delegation in as many years to China in 1997. Led by Bruce Groefsema, CCI's first vice president, the group visited with Chinese cotton importers and textile industry representatives in Hong Kong, Beijing, Qingdao and Shanghai. Delegates emphasized the U.S. commitment to quality in the face of Chinese concerns, and communicated information on new developments in Chinese textile industry and import policies back to the U.S. industry.

Latin America continues as one of the most exciting markets for U.S. cotton and cotton products, with U.S. raw cotton exports to that region increasing from 200,000 bales in 1992 to commitments for 1.7 million in 1997-98. CCI added resources to developing markets in Latin America — a region that now accounts for 25 percent of U.S. raw cotton exports. A delegation led by CCI President Fred Starrh met with textile manufacturers in Brazil, Argentina, Colombia and Ecuador and relayed a clear message about U.S. cotton's quality and reliability and the industry's reputation as a stable supplier.

A progressive U.S. cotton industry and its quality fiber were showcased to 26 overseas textile manufacturers from Asia, Latin America and greater Europe during the 29th COTTON USA Orientation Tour. The 23 mills represented on the tour consume about 500,000 bales of U.S. cotton annually or seven percent of U.S. cotton exports. Emphasis was on familiarizing participants with the types and qualities of U.S. cotton and the industry's marketing practices and allowing them to become better acquainted with U.S. cotton exporters.

CCI also hosted a buying team from London-based Marks & Spencer in order to give Europe's most profitable retailer a better understanding of the U.S. cotton industry and reinforce

existing business relationships. The contingent not only met with textile manufacturers but had face-to-face visits with U.S. cotton producers and processors.

Looking to the future, CCI and Cotton Incorporated will co-sponsor a unique forum for U.S. textile manufacturers and spinners in September in Pinehurst, NC. The theme will be "Sourcing USA: A Global Cotton Textile Summit." The September 1998 forum will focus on promoting exports of U.S. manufactured cotton products by bringing together top representatives of the U.S. industry with potential worldwide customers.

Recognizing increased use of the Internet by the global textile industry, CCI added more information to its COTTON USA Web site — www.cottonusa.org. The redesign includes a broader range of timely information and additional tools for use by overseas customers seeking to purchase raw cotton and cotton products from the U.S. The site also includes three searchable databases, including one of COTTON USA Licensees worldwide ... those companies who make products (yarn, fabric and finished goods) that are eligible to use the COTTON USA Mark in marketing.

CCI also is utilizing multiple information outlets to communicate with industry members and overseas customers. The 1997 Raw Cotton Buyers' Guide was distributed to both overseas customers and industry members — and is an excellent resource of cotton varieties and U.S. suppliers. Other vehicles include the weekly fax on COTTON USA activities, a quarterly newsletter supported by a Dow AgroSciences grant to The Cotton Foundation and domestic radio reports focusing on CCI's overseas promotion activities.

U.S.-Manufactured Cotton Products

CCI offers U.S. manufacturers opportunities to work together to increase their overseas sales of cotton products made in this country. An updated COTTON USA guide to U.S.-manufactured cotton products, providing a directory of U.S. textile mills and their cotton products, was published earlier in the year, increasing the information to potential overseas cus-

tomers of U.S.-manufactured cotton yarn, fabric and finished goods.

The COTTON USA Apparel Manufacturers Tour brought 13 European, Asian and Latin American manufacturers of apparel for such popular brand names as Edwin and OshKosh B'Gosh to the U.S. The fabric buyers were able to see the U.S. cotton industry's technological advancements and infrastructure that enable the U.S. to produce quality products and provide unparalleled service. A mini trade show in Atlanta provided 11 U.S. manufacturers face-to-face meetings with these leading garment makers and customers.

CCI and Cotton Incorporated co-sponsored a COTTON USA Pavilion at Interstoff Asia in Hong Kong last fall. U.S. companies participating included AMTEC, Avondale, Cone Mills, Greenwood Denim and Swift Denim. The three-day event, the most prestigious textile show in Asia, provided an excellent opportunity for U.S. manufacturers to present their products to key textile customers.

CCI is providing U.S. manufacturers an expanding amount of resource information with the completion of numerous market research studies in key markets around the world. Six different studies were completed on the following countries: Cotton Textile Market Study of China; Cotton Woven Apparel Fabric Research for Germany and United Kingdom; Cotton Home Furnishings Market for Japan and Hong Kong; Basic Market Research for Saudi Arabia, UAE, Bahrain, Qatar and Oman; and Basic Market Overviews of El Salvador, Guatemala, Mexico, Hong Kong, Singapore, Taiwan, Hong Kong, Italy, Belgium and Saudi Arabia; and a how-to-export manual titled *Export Strategies for the Millennium*.

Consumer Promotion and Mark Internationalization

CCI launched a massive retail promotion in the Far East to build sales of jeanswear made from U.S. cotton. Entitled "GET REAL," the promotion's message was that *real* jeans are made only of U.S. cotton. Included were appearances by several of Asia's biggest music superstars and "GET REAL" Jeans parties in Japan, Korea, Taiwan, Hong Kong and the Philippines for hundreds of lucky buyers of COTTON USA Mark labeled denim products from participating brands.

Increased sales of cotton products during the promotion were significant. CCI licensee sales in each target country boomed in the wake of the promotion, with sales increases in the double digits common among participating manufacturers. One participating brand in Korea racked up a staggering 120 percent sales jump.

The sales promotion campaign captured top regional honors for Asia-Pacific in the retail category of the 1997 World PRO Awards of Excellence competition. The campaign competed with 350 other entries in 16 categories from Europe, U.S./Canada, Asia-Pacific and Latin America for the worldwide best-of-category title.

Cotton and music can be a good mix, and CCI is making preparations to launch a series of live jazz concerts around Europe aimed at targeted retail promotions, consumer and special events. The promotion is entitled "Cool Sounds of COTTON USA." The campaign will provide COTTON USA licensee brands with exclusive opportunities for adding value to their customers' purchases.

One year after the launch of the COTTON USA Mark in Colombia in January 1997, the number of licensees in that country has increased from four companies to 14, marking a successful launch of consumer promotion in the Latin American region. The campaign included 15-second television spots and a series of newspaper ads which tie into a "The Best Things in Life" theme. The region's COTTON USA licensees participated in a series of special events in retail settings to augment the advertising, benefiting U.S. exports of cotton and manufactured cotton products alike. Other target countries for trade servicing and eventual consumer promotion include Venezuela, Ecuador and Brazil.



Fred Starrh,
President
Shafter, CA

Industry Support

Industry support of CCI is solid.

The National Cotton Council maintained its contribution of \$850,000 in 1997. Cotton Incorporated provided \$2 million to CCI and worked closely with CCI to optimize the Cotton Incorporated allocation for U.S. cotton's benefit. Industry contributions allowed CCI to leverage this private funding into strong public support.

USDA provided \$9.2 million in new Market Access Program funding for COTTON USA activities in 1997, giving CCI the largest allocation of any program participant. USDA allocated \$1.8 million of Foreign Market Development funding in support of COTTON USA activities.

As a reflection of its program support, the American Textile Manufacturers Institute doubled its commitment to CCI's COTTON USA export promotions to \$100,000. The New York Cotton Exchange also doubled its commitment to \$100,000 in 1997.

Support also came from the Supima Association and Dow AgroSciences through The Cotton Foundation.



Five U.S. textile manufacturers sent representatives to the COTTON USA Pavilion at Interstoff Asia, the most prestigious textile show in Asia.

The Cotton Foundation

The Cotton Foundation is a not-for-profit, 501(c)3 organization that permits individuals and organizations not eligible for Council membership to support the cotton industry's goals and objectives. The institution's mission is to provide vision and leadership to the U.S. cotton industry through research and education in support of the National Cotton Council and allied industries.



Foundation support enabled Council staff to assemble and distribute a display to more than 1,100 gins and textile manufacturers as a way to help prevent the type contamination of finished garments shown in the inset photo.

The Cotton Foundation's role in supporting cotton research and education is becoming more important each year as public research dollars become scarce.

General research and education projects are supported by a record \$351,500 — 30 percent more than in 1996. Additional grant monies from 18 Foundation member firms are making possible special research and education projects. These funds plus endowments and capital investments enabled the Foundation to achieve its 1997 budget goal of \$1.6 million.

The Foundation's sizable investment in research and education is much needed as U.S. cotton industry members fight to hold their technological edge in the international marketplace.

One of the Foundation's 1997 general projects brought producer organizations together with Extension specialists and Cotton Belt experiment station researchers to identify cotton's most pressing research needs. Similar focus sessions were conducted to assess and analyze ginning and textile research priorities.

Production research priorities identified in the focus sessions were distilled down from 300 to 25 researchable issues, and these were conveyed to key lawmakers, USDA and other appropriate agencies. Genetic improvement to boost yield and fiber quality was a top priority as was pest loss reduction. Other major categories included plant physiology and biochemistry, soil and water management, energy, harvest systems and precision systems.

Ginning priorities focused on short fibers, process control, moisture relationships, gentle ginning and efficiency. Textile priorities were aimed at improvements in instrumentation, testing, energy, environmental and "true" fiber quality value. Specific research issues ranged from developing economical methods to reduce neps and yarn defects to improving the color appearance in continuously dyed 100 percent cotton woven fabrics after multiple wearing and laundering.

The Foundation's Research Screening Committee acknowledged that continued emphasis needs to be placed on expanding markets for U.S. cottonseed, cottonseed oil and meal. Two investigations, for example, are evaluating cottonseed with increased vitamin E content and the use of cottonseed meal as a replacement for fish meal protein in the aquaculture industry.

Other general project work is being done in such areas as pest loss surveys, aflatoxin contamination prevention, worker protection standards education, bale packaging testing and expansion of Cotton Cares, the Council's environmental excellence program and the Council's Web site — www.cotton.org.

The Foundation's new on-line *Journal of Cotton Science* also was developed and launched with the first issue put on the Council's web site and introduced at the 1998 Beltwide Cotton Conferences.

Special research projects include surveys of cotton nematodes and seedling diseases and support of the Insecticide Resistance Action Committee. A host of educational special projects utilize the entire gamut of communication vehicles, including one-on-one discussion, seminars, newsletters, magazines, video tapes, radio broadcasts, the Internet and even fashion shows. These projects not only help deliver new technology to industry members, but enable the industry to carry messages to lawmakers, consumers and key government agencies.

In fact, a new special project set for 1998 launch will enable the Council to provide key Congressional staff, and possibly agency staff, with a fuller understanding of how the industry functions and its priority issues. These staffers will participate on field trips to meet industry leaders and observe production, processing, merchandising, manufacturing and research activities in various Cotton Belt locations.

The Foundation also is working to enhance membership value. In addition to sponsoring the Beltwide Cotton Conferences' Technical Exhibits and involving more cotton producers at its annual meeting, the Foundation is exploring the possibility of conducting a "visionary" conference. The goals of this forum would be to identify new or enhanced U.S. cotton production and processing systems and ways to produce higher quality products and drive up customer satisfaction.



Sue Hughes, a University of Tennessee technician, coordinated a 1997 Foundation project that analyzed cholesterol, triglycerides and lipoproteins in blood taken from rabbits fed a diet containing cottonseed oil; a current Foundation study at Texas A&M University is looking at ways to increase the oil's vitamin E content to increase its nutritional value and frying stability.



**Larry Nelson,
President
Edmonson, TX**

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