

2004 NCC Report to Members

Read about major activities carried out in 2003 in support of resolutions adopted at the NCC Annual Meeting in February 2003.

Message from the Chairman and President

The National Cotton Council has been vigilant in keeping the U.S. cotton industry on the profitability path in 2003. From defending the farm law to working for equitable trade agreements, the NCC has worked to ensure the U.S. cotton sector can compete and enjoy sound economic health.

The NCC worked closely with Cotton Belt Congressional members during the budget resolution debate, urging conferees to maintain spending levels consistent with the 2002 farm law and not to offer provisions altering that important legislation. The final budget measure exempted agriculture from budget cuts.

During the agricultural appropriations process, NCC members responded to a number of NCC action alerts by urging their Congressional members to oppose any amendments to tighten payment limits, eliminate certificate redemptions or modify the cotton provisions of the new farm bill. No farm bill amendments were approved.



Robert W. Greene
2003 NCC
Chairman



Mark L. Lange
NCC
President/CEO

NCC testimony before a Payment Limit Commission workshop helped enlighten that panel about the devastation of arbitrary and unwarranted payment limits. The Commission later recommended against further restrictions during this farm bill.

The NCC also developed a strong response to the attacks against the U.S. cotton program from the international media. This included 1) development of a fact sheet for use with Congressional contacts that clearly explained that U.S. agricultural subsidies are not responsible for a world price decline and undermining of certain West African countries and 2) coordinating foreign journalists' visits to American cotton farms and NCC offices to ensure the case for U.S. cotton was fairly presented.

Similarly, NCC's swift response to the Environmental Working Group's posting of Step 2 recipients and payment amounts helped blunt news media inquiries.

On yet another farm law defensive stand and one that points up the intertwining of the U.S. cotton program and trade policy, NCC staff represented the U.S. cotton industry in Geneva during oral hearings on the Brazilian government's complaint against the U.S. cotton program.

Defending the farm law and managing other key cotton issues got a boost from a successful NCC initiative to increase Committee for the Advancement of Cotton support. With the help of industry leaders, additional funding was garnered that will be useful for supporting re-election campaigns of cotton's Congressional friends.

The Council also was effective in the trade arena.

NCC testimony in the House and Senate outlined the cotton industry's priorities in a Central American Free Trade Agreement (CAFTA), addressed China's continued refusal to comply with its WTO commitment, supported the implementation of safeguards from surging Chinese imports and reminded Congress that the 2002 farm law did not break our country's WTO commitment.

Prior to the WTO's ministerial symposium in Cancun, the NCC worked with the Administration to ensure U.S. negotiators did not unilaterally reduce agriculture support.

The NCC joined with 13 other textile organizations in a coalition effort to persuade the Administration to shield an ailing U.S. textile industry from surges in Chinese textile imports. Simultaneously, the NCC continued working with Congress and the Administration on China's continued refusal to fully open its markets to U.S. raw cotton imports under the WTO.

While farm law defense and trade negotiations have dominated 2003 activities, the NCC has been active in many other areas.

To improve cotton flow, for example, the NCC initiated bale management educational programs for ginner to help reduce incidences of light and heavy-weight bales. A NCC Quality Task Force bale moisture recommendation is aimed at ensuring producers receive economic signals consistent with the factors that determine fiber spinning efficiency and lint value.

Cotton Council International (CCI) continued to place a high priority on overseas market development – from its China executive delegation to its COTTON USA Orientation Tour for overseas textile executives. CCI President Bobby Carson joined commodity and farm group leaders in a briefing of House and Senate staff members on export development programs' value to agriculture.

The Cotton Foundation is providing consistent support for the industry, too. For 2003-2004, the Foundation was able to direct more than \$420,000 in support of 33 general research and education efforts. The Foundation continued to expand its role of facilitating alliances between member firms and the NCC - for underwriting key NCC projects. For example, multiple-member financial support was gained for the NCC's Cotton Biotechnology Registration and Communication and Cotton Pesticide Registration and Education projects launched in early 2003.

In 2004, the NCC will continue to lead a strong and united industry to renew the fight of addressing challenges to the farm bill and other vital programs while working for expanded

market opportunities through equitable trade agreements and policies, both in this hemisphere and throughout the world.

Sincerely,



Robert W. Greene, Chairman (2003)



Mark D. Lange, President/CEO

Legislative Affairs

Major activities carried out during 2003.

The National Cotton Council began 2003 developing a fuller understanding of the 2002 farm law in order to help its members maximize their opportunities. Just as important was defending that legislation from attempts to weaken it through budget or policy provisions.



NCC Chairman Bobby Greene, testifying on NCC's Central American Free Trade Agreement priorities, met frequently with lawmakers and other decision-makers in Washington, DC, during 2003.

To ensure its members could optimize their marketing plans for 2003, the NCC made average farm price data and background information on counter-cyclical payments available on its web site. The NCC also communicated with USDA throughout the farm law's implementation. That included submitting comments on USDA's proposed rulemaking on the adjusted gross income means test affecting certification for receiving advance 2003 direct and counter-cyclical program payments. Specifically, NCC Chairman Bobby Greene wrote to USDA Secretary Veneman asking her to use her authority to provide an initial advance counter-cyclical payment for the 2003 crop at the maximum allowable rate to boost cash flow and help with production financing.

Defense of the 2002 farm law continued from the previous year. The NCC worked closely with Cotton Belt Congressional members during the budget resolution debate, urging conferees to maintain spending levels consistent with that farm law and not to offer altering provisions. That included signing on to a letter with 71 other

agriculture groups urging the Budget Conference Committee not to make spending cuts in agricultural programs. The final budget measure exempted agriculture from cuts.

During the agricultural appropriations process, key NCC activities included a number of action alerts and, prior to consideration on the House floor, 1) the NCC's letter to House Cotton Belt members from 25 family farmers with the simple yet important message that the current farm law must remain intact and 2) the NCC's joining 34 organizations on a letter to the Senate and House Appropriations committees' chairmen urging rejection of altering provisions. Those efforts paid off and the House bill contained no farm bill amendments.

Prior to Senate consideration of the 2004 Agriculture Appropriations Bill, the NCC asked its members to contact their Senators and urge opposition to any amendments to tighten payment limits, eliminate certificate redemptions or modify the cotton provisions of the 2002 farm law.

Earlier in the year, NCC President/CEO Mark Lange's testimony before a Payment Limit Commission workshop focused on 1) the extraordinary damage to U.S. agriculture and the rural economy that would occur from arbitrary and unwarranted limits that deny farm program benefits eligibility and 2) the role of the certificate program and the marketing loan program's significance. The Commission later recommended against further restrictions during this farm bill.

The NCC also had to develop a strong response to attacks against the U.S. cotton program from international news media. This included 1) development of a fact sheet for use with Congressional contacts that clearly explained that U.S. agricultural subsidies are not responsible for a world price decline and 2) coordinating foreign journalists' visits to American cotton farms and NCC offices to ensure the case for U.S. cotton was fairly presented.

NCC continues its close work with USDA and USTR officials on coordinating defense against Brazil's challenge of the U.S. cotton program.

In other important action during 2003, the NCC:

- helped secure a \$3.1 billion disaster assistance program that includes: 1) payments for individuals who suffered losses greater than 35 percent in either 2001 or 2002 and 2) \$50 million in cottonseed assistance paid on 2002 cottonseed production. That action came after NCC joined a coalition of more than 40 commodity, livestock and specialty crop and agribusiness representatives urging the Administration to approve disaster assistance for 2001 and 2002 crop losses.



The NCC helped secure a \$3.1 billion disaster assistance program that included payments for individuals who suffered losses greater than 35 percent in either 2001 or 2002.

- suggested a number of modifications to what income is considered farming, ranching and forestry income in USDA's final rule on 2002 farm law implementation that excludes individuals from farm and conservation program payments if the three-year average of their adjusted gross income exceeds \$2.5 million.
- filed comments on USDA's proposal for Trade Adjustment Assistance for Farmers noting the industry's support but only if the proposal was amended, including assurance that the impact of cotton textile product imports on the price of cotton fiber could be considered in eligibility criteria.
- opposed across-the-board changes by USDA's Risk Management Agency (RMA) to current methodology for determining bale-by-bale quality losses and subsequent adjustments in production-to-count that would reduce benefits, increase premiums and discourage crop insurance participation. NCC, though, did pledge to work with RMA and the private sector on stimulating development of innovative products after the Federal Crop Insurance Corporation voted not to approve a cotton cost-of-production insurance pilot program.
- joined other agricultural organizations in urging USDA to implement the Conservation Security Program as soon as possible, and worked with the Agricultural Coalition for Immigration Reform on immigration reform legislation for agriculture that would streamline the process of hiring foreign guest workers.

Trade

Major activities carried out during 2003.

Because U.S. textile mill shipments had fallen for the seventh consecutive year and textile jobs had declined 10 percent from 2002, gaining greater market access for U.S.-made textile products and stopping textile job losses became a dominant quest throughout 2003.

Realizing the increasing influence of trade policy and trade agreements on U.S. cotton's future, industry leaders authorized a major initiative at the National Cotton Council's 2003 Annual Meeting. They asked the NCC to direct greater leadership toward bringing the entire fiber and textile industries to a consensus on major textile policy. The NCC's leadership was instrumental in reaching consensus on major provisions for a Central American Free Trade Agreement (CAFTA) early in the year and communicating that common policy to the Administration and Congressional leaders. Subsequently, agreement was reached and an action plan developed to counter China's failure to comply with its World Trade Organization (WTO) commitments.

The NCC joined with other U.S. textile and fiber industry associations in launching a lobbying campaign to ensure the U.S. textile industry's survival. The centerpiece of the China initiative was persuading the U.S. government to implement special textile China safeguards in an early and effective way to moderate the massive surge of Chinese exports. Later, the NCC joined with 13 other textile organizations in a coalition effort championing this cause – a concern on which NCC Chairman Bobby Greene joined textile CEOs in briefing the Congressional Textile Caucus.

Throughout the year, the NCC and its textile coalition partners expressed apprehension over China's taking advantage of ascension to the WTO to flood the U.S. with textile imports. The NCC also helped arrange and participated in orientations with senior textile executives in North Carolina, South Carolina and New York – which resulted in voter registrations and heightened communications with Congressional delegations and the Administration. News briefings in conjunction with these orientation sessions and on Capitol Hill helped focus media attention on the China problem's seriousness and were instrumental in helping attract 170 Congressional signatures on a letter to the President urging implementation of textile safeguards authorized in China's WTO accession agreement. The letter also urged the Administration to prevent third country participation in CAFTA and similar trade agreements and to retain U.S. textile tariffs under WTO provisions.

The NCC also registered a concern that China could take advantage of the new U.S.-Vietnam trade agreement by using that country as a transshipment point. The NCC noted that the doubling and tripling of quotas for Vietnam coupled with delays in implementing safeguards to deal with disruptive Chinese textile imports are highly damaging to the U.S. cotton and textile industries.



A U.S. cotton industry executive delegation visiting China learned much about that country's cotton production and growing textile sector, which has a capacity of 50 million spindles and 750,000 looms.

On November 18, the Committee for the Implementation of Textile Agreements approved the textile/fiber coalition's China safeguard petitions on knit fabric, brassieres and dressing gowns. Approval of the petitions triggered a consultation process with the Chinese to limit the growth of imports to the United States in these categories. If China will not agree to the limits, the United States unilaterally may limit the growth of Chinese imports to 7.5 percent for the 12-month life of the safeguard.

Work continued with Congress and the Administration concerning China's continued refusal to implement Tariff Rate Quotas (TRQs) and fully open its markets to U.S. raw cotton imports under its WTO commitment. That included NCC leaders Bill Dunavant, III, and Tom Smith urging U.S. Trade Representative (USTR) Robert Zoellick to raise the market access issue during his February visit to China and to request a WTO dispute panel if consultations were unsuccessful. The NCC also provided the USTR comments for its use in formal comments to China regarding its TRQ administration.

The NCC also weighed in on the plethora of trade agreements negotiated in 2003.

NCC Chairman Bobby Greene's testimony in the House and Senate outlined the cotton industry's priorities in a CAFTA. He noted: 1) good farm policy and trade policy are interrelated, 2) U.S. farm subsidies and textile tariffs must not be unilaterally eliminated or reduced, 3) Congress should insist that the Administration aggressively enforce existing agreements before approving new ones and 4) trade agreements negotiated with countries in this hemisphere must include provisions that enhance U.S. cotton's global competitiveness.

NCC Vice President Stephen Felker and NCC Consultant Gaylon Booker later reiterated those priorities in advance of and during the next-to-last CAFTA negotiation round. That round's textile discussions focused on rule-of-origin, customs enforcement and safeguard provisions, and included brainstorming on establishing a workable short-supply mechanism. The NCC later joined other organizations in expressing opposition to the inclusion of a "special regime" provision in the CAFTA that would constitute an exception to the yarn-forward rule of origin.

Prior to the final round of CAFTA negotiations in December, U.S. textile and cotton industry leaders built on the short-supply brainstorming session by working with Central American apparel manufacturers to fashion a short-supply mechanism that would be consistent with normal business practices. While details of the CAFTA agreement have not yet been released, most of the principles of that short-supply process are believed to have been incorporated in the agreement. However, a number of disturbing provisions allowing third country sourcing reportedly were included, despite a workable short-supply process that should have made any other third country sourcing avenues unnecessary.

In cooperation with an outside contractor, NCC completed a study to show the impact of a Free Trade Area of the Americas agreement on the U.S. raw cotton and textile sectors. The study confirmed the importance of developing a stronger Western Hemisphere trade platform that can help the U.S. cotton and textile industries compete with Asian cotton and textiles. It also confirmed the need for measures to prevent third country participation in trade agreements negotiated for the Western Hemisphere and revealed a need for certain safeguards to ensure that

the U.S. cotton and textile industries are not disadvantaged as 34 nations are merged into a single trading community.

The Senate approved free trade pacts with Chile and Singapore, giving both nations the final Congressional go-ahead and ushering in what Bush Administration officials hope will be a new era in trade negotiations. A coalition of manufacturers, farm groups and high-tech, entertainment, and services companies backed the agreements, which add to existing U.S. free trade deals with Canada, Mexico, Jordan and Israel. The Administration also is negotiating deals with the Dominican Republic, Australia, Morocco and South Africa.



NCC President/CEO Mark Lange, left, and NCC Counsel Bill Gillon represented the U.S. cotton industry in Geneva during oral hearings on the Brazilian government's WTO complaint against the U.S. cotton program.

Regarding the WTO's ministerial symposium in Cancun, the NCC worked with the Administration to ensure the U.S. did not unilaterally reduce agriculture support. That meeting ended without an agreement on a framework for the rest of the negotiations, putting the Doha Round's future in jeopardy.

The NCC was active throughout 2003 in responding to Brazil's assertion that the U.S. cotton program is trade distorting and in violation of U.S. WTO commitments. The NCC assisted the U.S. dispute settlement team in preparation of the second of three rounds of oral hearings. A panel ruling was expected in April 2004.

The NCC also was active in the Sound Dollar Coalition that stressed to the Administration and Congress the damaging effects of China's devalued currency to the U.S. textile industry.

The NCC addressed another China trade obstacle when it: 1) helped develop a response to China's intended mandatory testing for short fiber content and nep count in raw cotton as part of its cotton standards and 2) asked the USTR's office to pursue the matter. China later suspended that testing proposal, and its government developed a new inspection system based on instrument testing.

Among other key activities:

NCC Chairman Greene and NCC President Mark Lange reviewed cotton and textile trade issues in Washington, DC, with a Chinese delegation led by their vice minister of the National Textile Import and Export Corporation.

Chairman Greene, Vice Chairman Woody Anderson and other industry leaders toured Brazilian cotton farms and gins and met with Brazilian textile manufacturer representatives in an effort to gain a better understanding of that country's cotton industry and foster relationships between the two countries.

Appointments to the Agricultural Technical Advisory Committee (ATAC) for Cotton, Peanuts, Planting Seeds and Tobacco, which advises USDA on agricultural trade policy matters, included industry members: Kenneth Hood, Gunnison, MS; Tom Smith, AMCOT, Bakersfield, CA; Bobby Weil, Weil Brothers Cotton, Montgomery, AL; Bill Dunavant, III, Dunavant Enterprises, Memphis, TN; Billy Carter, North Carolina Cotton Producers, Scotland Neck, NC; Ott Bean, Gideon, MO; and Chuck Earnest, Steele, MO; along with Kater Hake, Delta & Pine Land, Scott, MS; and NCC staffers Gary Adams and William A. Gillon. NCC Consultant Gaylon Booker was reappointed to the Agricultural Policy Advisory Committee for Trade.



NCC 2003 Vice Chairman Woody Anderson, right, talks to employees of Unicotton, a Brazilian cotton cooperative, about research plots the company maintains behind their offices.

Booker also chaired the American Textile Alliance, which helped broaden support for common trade provisions in the CAFTA and FTAA agreements.

Communications

Major activities carried out during 2003.

The National Cotton Council devoted considerable effort to defending the 2002 farm law against critics that ranged from U.S. Congressional members to international charity organizations. Most of the criticism in Congress came from those who wanted to see more restrictive payment limits. Editorials in *The Wall Street Journal* and *The New York Times* were rebutted. The *Times* finally published a NCC letter to the editor in response to an October *Times*' editorial that called for an end to farm program payments.

The NCC was inundated with requests from foreign journalists wanting to talk to U.S. cotton producers and the NCC about U.S. agricultural subsidies' effects on world cotton prices and the alleged harm they cause some West African cotton-producing countries.

Outlets the NCC interacted with included: the *Tribune*, a French newspaper; *The Guardian*, a London newspaper; Irish National Television; Swiss National Public Radio and Swiss National Television; the Canadian Broadcast Company; "France 3" public television station; the French National Television; and the Dutch Public Broadcasting Service.

Late in the year, the Environmental Working Group released a list of firms receiving Step 2 payments. The NCC responded to calls from national media such as *The New York Times* and *Chicago Tribune*, and placed response points with merchant, cooperative and textile sector leaders across the Cotton Belt to help them communicate with writers and broadcasters.

The NCC communicated to its members and key publics on a range of issues from China's failure to implement tariff rate quotas for raw cotton to a domestic bale weight education program. The NCC's web site, www.cotton.org, is being used increasingly to communicate to members and key publics, including the posting of the NCC's *Cotton's Week* newsletter and weekly AgDay segment, radio/newslines and Cotton eNews. A score of other information also is being posted ranging from Action Alerts and NCC letters to Congress to counter cyclical payment fact sheets and bale moisture recommendations.

Efforts to reach consumers about U.S. cotton's contributions to this nation were escalated through the NCC's "Cotton Counts" education campaign, which is being carried out primarily by the National Cotton Women's Committee. The NCC also coalesced with the National Wheat Growers Association and its new "Home Grown" outreach program. That effort is designed to enlighten the public about how farmers and farming have changed from what many consumers still perceive. Both campaigns convey the message that U.S. farmers provide safe, bountiful and affordable food and fiber.



West Tennessee cotton producer John Lindamood was interviewed by several European television journalists who did stories about the U.S. cotton program.



On behalf of the NCC and National Cotton Women's Committee, Cotton Foundation President Larkin Martin, left, presents the 2004 U.S. Cotton Champion Award to Lauren Cooke of the J. Jill Group, a Quincy, MA, clothing retailer.

Technical

Major activities carried out during 2003.

The National Cotton Council reminded ginners, warehousemen and bale packaging suppliers about the importance of using only USDA-approved bale packaging materials, which includes bags with the required identification markings. With a goal to ensure that all approved materials meet the industry's current packaging needs, the Joint Cotton Industry Bale Packaging Committee studied its specifications review process, especially the way existing specifications might be modified. The JCIBPC also approved a new automatic wire tying system for cotton bales to support its goal of providing the industry automation alternatives.

In an effort to eliminate lint contamination, the NCC stepped up a campaign to keep plastic strings, ropes and sacks out of seed cotton before ginning. With help from Cotton Council International and the Cotton Growers Warehouse Association, NCC surveyed mill customers throughout the world to determine major sources of contamination to enhance education programs aimed at reaching zero defects goals.



NCC stepped up a campaign to keep plastic strings, ropes and sacks out of seed cotton before ginning so these contaminants will not get into finished fabric before detection.

bales. Ginners and warehousemen also were reminded to keep the Permanent Bale Identifier tags visible and machine-readable.



The Joint Cotton Industry Bale Packaging Committee's warehouse members inspect experimental bagging at the JCIBPC's 2003 meeting in Memphis, TN.

A NCC Quality Task Force's bale moisture recommendation was aimed at making sure producers receive economic signals consistent with the important factors determining fiber spinning efficiency and over-all lint value. The recommendation that cotton be baled with no more than 7.5 percent moisture content assures color will not degrade from excess moisture.

Citing producer risks and quality loss concerns, the NCC filed comments in opposition to USDA's interim rule permitting outside storage of loan-eligible extra long staple cotton under certain conditions, and urged the rule's withdrawal.

To improve cotton flow, the NCC initiated bale management educational programs for ginners to help reduce incidences of light and heavy-weight

The NCC also expressed its support for EPA's implementation of Endangered Species Act requirements. Some lawsuits claimed EPA was not adequately protecting some endangered species because it did not properly consult with the U.S. Fish and Wildlife Service. The aim is to ensure that critical crop protection products are available for use according to label instructions developed by regulators and registrants through the registration process.

NCC provided support for new registrations, such as Glufosinate herbicide, and supported older cotton products during the Food Quality Protection Act review and re-registration by EPA. The NCC also assisted in gaining special uses in 2003 such as the crisis exemption granted for Furadan 4F's use on cotton aphids in California to help prevent sticky cotton.

The NCC also worked with the agricultural community to ensure the April 2002 Forsgren case decision limits regulatory burdens and does not interfere with producers' ability to provide timely, cost-effective crop pest control. An unfavorable ruling in that case could impose onerous paperwork requirements on producers for each pesticide application.

Eradication of the boll weevil continued on 10 million acres with only three areas comprising less than three percent of U.S. cotton acreage yet to begin eradication. One zone, the Northern Blacklands of Texas, was to vote in December, leaving the St. Lawrence and Lower Rio Grande Valley areas in that state as the last remaining areas. The NCC's Boll Weevil Action Committee is planning transition into post eradication functions.

Pink bollworm eradication made excellent progress in the program's first phase in Trans Pecos/El Paso, South Central New Mexico and Chihuahua, Mexico. The NCC's Pink Bollworm Action Committee agreed to keep the program on track with a continued commitment to obtain federal funding for sterile insect releases and creation of a plan for program expansion into Arizona upon grower approval.



Those programs also benefited from 2004 appropriations measures that provided \$51 million for weevil eradication and \$2 million for pink bollworm eradication. Included in that spending bill were requirements that: the National Agricultural Statistics Service reinstate the Cotton Objective Yield Survey; USDA's Agriculture Research Service maintain cotton ginning research funding; and funding be provided for Clemson University to complete work on a marker system to assist U.S. customs in tracking imported products to determine eligibility for trade preference programs.

Pink bollworm eradication made excellent progress in the program's first phase in Trans Pecos/El Paso, south central New Mexico and Chihuahua, Mexico.

The Agricultural Air Quality Task Force was re-established for 2003-04 to advise Agriculture Secretary Veneman on agricultural air quality issues, and included industry-related members:

Kevin G. Rogers, Arizona producer; Roger Isom, California Cotton Ginners and Growers; Robert V. Avant, Jr., Texas Food and Fibers Commission; Calvin B. Parnell, Jr., Texas A&M University; and NCC Senior Environmental Scientist Phil Wakelyn.

The NCC submitted comments to EPA notices in support of an exemption from tolerance and full Section 3 registration for *Aspergillus flavus* AF36 for use in Arizona and Texas to reduce aflatoxin-producing colonies of *Aspergillus flavus*. EPA granted a conditional registration for AF36 later in the year.

In other activity:

- EPA granted non-transportation-related onshore or offshore facilities that store oil, such as cottonseed oil mills, an additional 18 months to comply with spill prevention and response plan requirements. An industry coalition continued to work with the agency to obtain requirements that differentiate between vegetable oil/animal fats and petroleum oils.
- The Food and Drug Administration amended its regulations on nutrition labeling to require that trans fats be declared in the nutrition label of conventional foods and dietary supplements. This separate listing from hydrogenated oils should be helpful to cottonseed oil, which usually is not hydrogenated and usually contains no trans fats.
- The NCC continued work to help remove unreasonable and unfair regulations from governing the sale of biotech products. The NCC, along with food associations and an international biotech consultant, worked to establish science-based, international regulations that will ensure accurate, non-misleading labeling whether or not those products contain biotech ingredients. Nevertheless, the European Union (EU) issued their final rule requiring labeling of all foods if they contained any ingredient from biotech crops. More details on traceability and labeling will be provided before the EU's final rule on the traceability and labeling of agriculture biotech food and feed goes into effect.
- The Consumer Products Safety Commission (CPSC) voted to consider expanding the upholstered furniture flammability rulemakings. This action came late in 2003 after "The American Home Fire Safety Act" legislation introduced in the Senate would require CPSC to promulgate mandatory flammability regulations for upholstered furniture, filled top-of-the-bed textiles (such as mattress pads, comforters and pillows) and mattresses within 90 days of enactment and not have to show unreasonable risk, consider less burdensome alternatives or complete a cost/benefit analysis.
- NCC also provided member oil mills, whole cottonseed storage facilities and gins with details on registration requirements under the Bioterrorism Act of 2002. That Act's rules requires registration with the Food and Drug Administration of all domestic and foreign facilities that manufacture/process, pack, store, handle and/or hold food/feed ingredients in the United States and requires food importers to provide advance notice of human and animal food shipments imported or offered for import to this country.

- The NCC developed compliance guidelines to assist affected industry firms with the labeling requirements for trans-boundary shipments of cottonseed under the Biosafety Protocol.

Cotton Council International

Major activities carried out during 2003.

As the export promotion arm of the NCC, [Cotton Council International](#) (CCI), is dedicated to increasing U.S. cotton exports of cotton, cottonseed and their products. With offices in Washington, Memphis, London, Hong Kong and Seoul, CCI plays a major role in strengthening key markets for U.S. cotton and cotton products in Europe, Asia, Latin America, the Middle East and Africa.

CCI continued to place a high priority on overseas market development – from its China executive delegation to its COTTON USA Orientation Tour for textile mill representatives throughout the world.

The highly successful COTTON USA program received a 27 percent increase in public support in 2003. This was primarily due to the increased farm law funding and the continued strong industry commitment, including the American Cotton Shippers, AMCOT, Supima and the National Cottonseed Products Association all of which pledged to increase their funding levels by 40 percent or more in 2003. The Southern Cotton Growers began contributing directly to the COTTON USA program last fall and renewed their pledge. The largest increase in industry funding came through a commitment from Cotton Incorporated to increase its contributions by \$500,000 starting January 1, 2003. This represents a 25 percent increase for Cotton Incorporated, and further sets them apart as the largest single private contributor to CCI.



CCI's 2003 COTTON USA Orientation Tour brought textile executives and cotton buyers from 13 countries through the U.S. Cotton Belt.

As a bonus, USDA awarded CCI \$300,000 in new Global Based Initiative funding to promote the "Natural American Home" pilot project in Japan in 2003/04. If successful, the project, which showcases homes outfitted with 100 percent COTTON USA licensed home furnishings, may be expanded to other markets.

This financial backing achieves as much as a five-to-one funding leverage and is crucial with 65 percent or more of U.S. cotton fiber - and more than four million bale-equivalents of additional cotton yarn and fabric – now moving into export channels.

Regarding U.S. raw cotton exports, China became even more of a central player.



2003 CCI President Bobby Carson of Marks, MS, conducts a media briefing on CCI's 2003 activities, including an industry delegation he led to China.

capabilities, production costs and support mechanisms to assist the United States in the Free Trade Agreement of the Americas negotiations.

CCI President Bobby Carson led a COTTON USA Executive Delegation to China to find out how much cotton fiber China will import, and how much cotton product they expect to export to the United States and other markets, and under what conditions. The delegation's fact-finding effort also was aimed at helping the NCC move its trade policy forward and formulate future policy.

In another effort to help the U.S. cotton industry stay current of the global competition, CCI put together a producer leadership team the NCC sent to Brazil. The team, led by NCC Chairman and Vice Chairman Bobby Greene and Woody Anderson, respectively, was accompanied by NCC staffer Gary Adams to develop an economic assessment of Brazil's



CCI hosted a COTTON USA special trade mission from India, which has become the ninth largest export market for upland cotton fiber.

CCI also hosted a top-notch COTTON USA special trade mission from India, which has become the ninth largest export market for upland cotton fiber, and is a key market for Pima. The event solidified relationships with key Indian textile manufacturers. It also provided a framework for CCI's experimental program with Cotton Incorporated - Cotton Gold Alliance - which is using the Seal of Cotton for the first time outside of North America to develop underlying demand for cotton fiber at the consumer level and reverse a trend of consumer preference for synthetics.

groups ever - through the U.S. Cotton Belt. They were shown how U.S. cotton is produced,

CCI's 2003 COTTON USA Orientation Tour brought textile executives and cotton buyers from 13 countries – one of the most extensive

processed and marketed. The companies represented on the visit consume an average of 718,000 U.S. cotton bales annually.

CCI also conducted a large and very active program to promote U.S. cotton yarn, fabric and finished goods into export markets – particularly to the CBI and Andean countries.

For example, CCI organized a Sourcing Fair in Antigua, Guatemala to encourage business between U.S. cotton yarn and fabrics exporters participating in the Sourcing USA Program and Caribbean Basin Initiative companies. CCI also offered U.S. manufacturers opportunities to participate in value added buyers guides, searchable Web directories of U.S. manufactured cotton products, global trade shows to display their products, Sourcing USA summits and COTTON USA retail promotions. Manufacturers responded positively and increased their direct funding of these programs by 136 percent from 2002.

CCI even has activities in place to promote exports of cottonseed meal and linters.

The Cotton Foundation

Major activities carried out during 2003.

The Cotton Foundation vigorously carried out its mission of encouraging, facilitating and conducting cotton research and education during 2003. The payoff is new products, systems, techniques and services that help the National Cotton Council carry out its mission of providing U.S. cotton industry members a world marketplace advantage. All Foundation-supported projects are aimed at developing these tools to help industry members reduce their fiber production, processing and handling costs – and improve bottom lines.

For 2002-2003, the Foundation was able to provide more than \$425,500 in support of 36 general research and education efforts. Those projects ranged from finding additional cottonseed product value-added uses to using precision farming for meeting the federal government's total maximum daily load requirements on streams and watersheds. The Foundation's 2003 Report to Members, which describes Foundation project activities in 2002-03, is available at <http://foundation.cotton.org>.

The Foundation is applying \$420,000 in support of 33 general projects in 2004. The projects range from such new efforts as "Development of Cotton Based Nonwoven Chemical Warfare Protective Substrates" to such ongoing work as California researchers' evaluations of field plant and soil samples to confirm *Fusarium* infection and identification of different *Fusarium* groups or strains.

Precision farming projects, logically, are receiving a sizeable focus. The Foundation had a small, but important role in the blossoming of that technology. Seed money was provided in

cooperation with NASA and the Department of Energy in the late 1990s to ensure that hyperspectral remote sensing technology could be adapted for agriculture use.

Aflatoxin control has been another focus. The Foundation welcomed EPA's June 2003 approval for use of the biopesticide *Aspergillus flavus* AF36 in Arizona and Texas. Since the mid-1990s, the Foundation has supported USDA Agricultural Research Service-led field trials and commercialization of AF36 in these states to combat this natural carcinogen that greatly reduces cottonseed market value.



Members of the 2003-04 Cotton Leadership Class are from left: Stoney Hargett, Daniel LaFar, III, Craig Ivey, Teresa McMillan, Bryan Wells, Mike Nettles, David Dunlow, Ron Nickell, Robert Buckles and Greg Wuertz.

Education project provides a vehicle for plant protection and plant health product registrants to work with the NCC to strengthen the association's ability to ensure access to a safe and effective spectrum of new and existing cotton plant protection products.

In addition, individual Foundation member firms continued to provide direct support for core NCC communications vehicles: the *Cotton's Week* newsletter, the AgDay Cotton's Week program and Cotton eNews.

Non-dues grants from some of the 72 member firms is enabling the Foundation to sustain 14 special projects. This includes the longest running special project - the Cotton Leadership Program of which 2003 NCC Chairman Bobby Greene and 2003 Cotton Council International President Bobby Carson were graduates.

This past year, the Foundation continued to expand its role of facilitating alliances between member firms and the NCC - for underwriting key NCC activities. For example, multiple-member financial support was gained for two major initiatives launched in 2003. The Cotton Biotechnology Registration and Communication project seeks to strengthen the industry's position for supporting continued registration of and permits for biotechnology products. The Cotton Pesticide Registration and

Video Staff Report

<http://www.cotton.org/about/report/2009/video-staff-report.cfm>