

# 2005 NCC Report to Members

*Read about major activities carried out in 2004 in support of resolutions adopted at the NCC Annual Meeting in early 2004.*



## Joint Message from the Chairman and the President

Perhaps the most daunting task the U.S. cotton industry confronted in 2004 was shielding the 2002 farm law from compromising amendments and attacks from international forces. At the same time, we faced the equally important task of influencing trade negotiations that affected the industry's ability to compete in the global marketplace.

Protecting U.S. cotton's investment in the current farm legislation challenged the National Cotton Council's mettle. That's why, at every turn, we seized the opportunity to testify before Congress and meet with key lawmakers and USDA officials. We conveyed how important that law is to each U.S. cotton producer, to the entire industry's infrastructure and to the Cotton Belt economy.

That effort will continue post-election. There is concern that when Congress addresses the budget deficit in 2005, there will again be attempts to compromise farm law. We will continue to emphasize the fact that farm program expenditures have been under spent by \$17 billion during the first three years of the farm bill.

Because farm law and trade are intertwined, the NCC must not back down from international threats. We will continue to support the Administration on its appeal of the Brazil dispute ruling that said the U.S. cotton program was World Trade Organization-inconsistent and trade-distorting. We will remain steadfast in monitoring WTO negotiations to ensure our commodity's farm program components are not unfairly targeted.

Other ongoing trade challenges will be: 1) negotiating for workable free trade agreements, including a Central American Free Trade Agreement with improved textile provisions and 2) pressing for implementation of safeguards against surging Chinese cotton product imports.

The U.S. cotton industry will need to expand its global leadership role. That includes furthering the partnership with the U.S. government on such initiatives as the USDA/USAID program to help West African countries improve their production, processing and marketing.

Cotton Council International (CCI) played a major role this past year in strengthening key markets in Europe, Asia, Latin America, the Middle East and Africa. Additional Market Access Program funding for fiscal 2005 will enable CCI to build on its already successful COTTON USA promotion program.

Efforts were redoubled on cotton quality and flow in 2004, including the escalation of NCC's seed cotton/lint contamination prevention campaign and development of a comprehensive plan to address quality problems occurring in Georgia and other parts of the Southeast.

The NCC was diligent on a wide range of other technical activities and programs. Among those was pressing for necessary federal funding for the boll weevil and pink bollworm eradication programs and lending oversight to current operations and future direction.



Woody Anderson  
2004 NCC Chairman



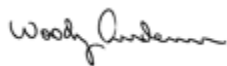
Mark L. Lange  
NCC President/CEO

The Cotton Foundation's competitive edge is as sharp as ever. For 2004-05, the institution is putting \$393,000 toward cotton research and education - support that is fostering the provision of new products, systems and techniques to help industry members reduce their fiber production, processing and handling costs.

Strengthening overall NCC operations was a priority in 2004. The Board approved a new finance plan to be presented to NCC delegates for adoption at the 2005 Annual Meeting. This follows a successful merger of the crusher and whole cottonseed interests into a new "cottonseed" segment. The NCC Board also adopted a two-tier NCC membership plan to reward high participation level states with greater American Cotton Producers and NCC representation.

Even though member participation is at a record level, the NCC will need strong support across all industry sectors. Ample resources, coupled with visionary leaders and a dedicated staff, are ingredients necessary for NCC to continue guiding the U.S. cotton industry through the legislative and regulatory trials it surely will face in 2005, for the remainder of the decade and beyond.

Sincerely,



Woody Anderson, Chairman (2004)



Mark D. Lange, President/CEO

## Legislative Affairs

*Major activities carried out during 2004.*

The National Cotton Council worked in tandem with other commodity and farm groups against reopening of the Farm Security and Rural Investment Act of 2002 - including attempts to drain funds from that law. Chief among those activities was Chairman Woody Anderson's testimony that: 1) reminded the House Agriculture Committee of the need to preserve – for the duration of its term – a law that balances commodity support and conservation programs and 2) emphasized to the House Agriculture Subcommittee on General Farm Commodities and Risk Management that the farm law has been a success and “remains vital to the structure and stability of the U.S. cotton industry and agriculture as a whole.”

During the year, the NCC also pointed out to lawmakers that since its inception, the farm law has spent \$17 billion less than originally projected and did not need to be singled out for spending reductions.

Helpful was Senator Charles Grassley's (R-IA) pledge to support no farm law changes. Implementing the farm law as



NCC Chairman Woody Anderson told Congress the current farm law has been a success and is vital to U.S. cotton and agriculture.

costs of the \$14.5 billion package signed by President Bush were offset by reductions in the CSP – and the NCC again expressed grave concerns about reopening the 2002 farm law. The crop loss disaster portion of the package provided financial assistance to producers on a farm incurring qualifying crop or quality losses due to damaging weather or related conditions for either the 2003, 2004 or 2005 crops.

written and passed helped growers' efforts in securing production loans and offered a stabilizing effect on the structure of U.S. cotton production and merchandising.

Comments submitted by the NCC on the farm law's Conservation Security Program (CSP) implementation were aimed at ensuring that the rule's definition would cover viable commercial-size operations and include necessary educational efforts so producers across the Cotton Belt could take advantage of the programs.

The NCC also supported a disaster package that was adopted as part of the Homeland Security Appropriations bill. Unfortunately, some of the





A disaster assistance bill helped producers victimized by hurricanes or other damaging weather, including this south Alabama field flattened by Hurricane Jeanne and this West Texas field covered by several inches of November snow.

The NCC also constantly monitored the 2005 appropriations process to ensure funding priorities were addressed and offsets did not lead to farm law changes. Concerns included: 1) Senator Grassley's attempt to introduce payment limits amendments into the fiscal 2005 budget resolution; 2) possible offsets from the renewal of the Child Nutrition Act and 3) a move to reduce direct payments to fund block grants as part of the Specialty Crops Competitiveness Act of 2004. That amendment failed after the NCC and other commodity and farm organizations urged the House Agriculture Committee to reject all amendments that would open the current farm law.

NCC worked closely with USDA and USTR officials on coordinating a defense against Brazil's challenge of the U.S. cotton program. That included pressing for the appeal lodged with the World Trade Organization after the dispute panel's unfavorable ruling against that program.

Concerns also were conveyed regarding the reduced amount of discretionary spending available to fund USDA programs. Research and education priorities were: 1) the 30 percent cost share for boll weevil eradication; 2) a funding increase for pink bollworm eradication and 3) full Market Access Program funding.

NCC economists and member services staff worked with state and county Extension professionals to assess damages from hurricanes and conveyed that information to lawmakers in advance of the \$14.5 billion disaster assistance package signed by President Bush.

Participation in several coalitions helped NCC amplify its positions on a number of farming-related issues. Activities included: 1) sending a letter urging withdrawal of the Farm Services Agency's new definition of "family farm," which would exclude legitimate family farmers from access to capital and 2) pushing for H2-A agricultural worker program reform.

In other key 2004 activities, the NCC:

- recommended that Agriculture Secretary Veneman provide an initial advance counter-cyclical payment for the 2004 upland cotton at the maximum allowable rate.
- joined with the Department of Justice and USDA in defending against some importers' claims of the Cotton Research and Promotion Program's constitutionality;
- reiterated its support for legislation that would close a loophole in U.S. law and better enable U.S. cotton to respond to unfairly subsidized competition from non-market countries, including China;
- maintained a dialogue with USDA's Risk Management Agency on the crafting of the Standard Reinsurance Agreement to ensure that crop insurance is available and delivered promptly to NCC members;

- communicated to its members – through the “Helping Americans Vote” campaign - the urgency to get registered and to vote in the November election;
- supported, along with the National Cotton Ginners Association, a bill that allows small businesses to purchase healthcare coverage through associations; and
- pushed for a workable Foreign Sales Corporation/Extraterritorial Income export tax bill, which was signed into law by President Bush.

## Trade

*Major activities carried out during 2004.*

Trade policy’s impact on the U.S. cotton industry increased as international trade negotiations, free trade agreements and even international public opinion influenced the industry’s financial health as never before. In the fall of 2004, the U.S. recorded monthly deficits in agricultural trade - an almost unthinkable situation two years ago. The rise of China in world markets, Brazil’s increasing ability to efficiently produce cotton and other commodities, and increasing competition in the world’s textile marketplace also dramatically affected the industry.

### **U.S.- Brazil Dispute**

Nearly two years after initial consultations, the World Trade Organization (WTO) dispute settlement panel in the U.S.-Brazil issued its ruling. The Panel found against the U.S. cotton program on a number of major points challenged by Brazil, setting the stage for a tense and important appeal for both countries and for the WTO. The Panel found:

- that the “Peace Clause” in the WTO Agreement on Agriculture did not exempt the cotton program from the Brazil challenge. In so doing, the Panel determined that the U.S. could not classify the direct payment program as a “green box” program.
- that the aggregate impact of the U.S. marketing loan, counter-cyclical and Step 2 programs during 1999-2002 caused serious prejudice to Brazil and therefore violated U.S. obligations under the WTO agreements while determining that the direct payment program and crop insurance programs did not harm Brazil's interests.
- the Step 2 program and the export credit guarantee program to be prohibited subsidies under the WTO and called on the U.S. to correct these measures by July 1, 2005.

The industry received strong support statements from many Congressional members and the Administration, and the U.S. filed a broad appeal that challenged almost every Panel finding. The appellate body held oral hearings in December and is expected to issue its decision in March 2005. Throughout the dispute, the NCC worked closely with the Office of the U.S. Trade Representative and USDA in developing arguments and presenting the cotton program defense.

Doha Round



The Doha Round of WTO negotiations was resuscitated as participating countries reached agreement on a Framework document designed to provide the parameters that will govern the remainder of the negotiations. U.S. negotiators were pleased with the so-called “Framework Text” and believe it can lead to a successful completion of those negotiations.

While short on details, the Framework does provide a basis for negotiations to continue. The Framework calls for: 1) the elimination of export subsidies; 2) reductions in domestic support; 3) a redefinition of the blue box category of agricultural support, reflecting a U.S. effort to ensure the counter-cyclical program fits in that category and 4) more product specific caps on domestic support than is contained in the current agreement. Countries with larger subsidy programs are directed to make the largest cuts. Developing countries are to receive special and differential treatment, blunting much of these proposed disciplines’ impact.

The U.S. claimed victory in its fight over European Union export subsidies, but also agreed to phase out any export subsidy component of export credit guarantees. Market access commitments are vague and encompass so-called sensitive products and special products that countries will be able to protect, somewhat, from significant increases in market access.

In a move that sends the wrong message to the other WTO members, the Framework contains four separate references to cotton and raises concerns that cotton may receive unequal and inappropriate treatment in the negotiation. These references are a direct result of proposals tabled by several African cotton-producing countries to eliminate all subsidies for cotton production, a move that has been supported by several international non-profit organizations such as OXFAM International. The cotton-specific references are a troubling sign for the industry as the Doha negotiations continue. Negotiating countries now hope that such an agreement on modalities can be reached in December 2005.

### U.S. Cotton Policy and Africa

The NCC began working directly with several African countries (primarily Burkina Faso, Mali, Chad and Benin) through USDA and the Agency for International Development to help those countries deal with changes in the international cotton market. The NCC participated in informational exchanges and educational programs focusing on technological enhancements that could be available for those cotton producers. These efforts also were designed to help allay concerns that the U.S. cotton program had negatively affected West African producers.

The NCC discussed with the Administration potential issues relating to the so-called Bumpers Amendment and indicated it is willing



While in Memphis, the delegation from West Africa countries Benin, Burkina Faso, Chad and Mali was briefed by industry members and the American Cotton Shippers Association, AMCOT and the NCC.

to work with USDA on the issue. However, the initial flexibility being demonstrated by the NCC may be short-lived should the WTO attacks on U.S. cotton continue.

## China

Trade Increasing cotton production, mill use and textile and apparel production solidified China's position as the dominant force in the world's cotton and apparel markets. China imported almost 9 million bales worldwide in the 2003-04 marketing year. In 2004, China increased its own cotton production by 32 percent, or 7.2 million bales. Meanwhile, mill consumption of cotton in China continues to increase by about 3 million bales (or more) annually. With that expanded cotton consumption comes dramatic expansion in apparel production as China prepares to dominate world trade in that product.

With significant export purchases and expanded tariff rate quotas (TRQs), appropriate implementation by China of its cotton fiber TRQ commitment was not a priority issue for the NCC in 2004. However, China's refusal to eliminate the so-called "processing" trade, which requires that certain quantities of cotton imports be exported as cotton apparel remains a NCC concern.

China's larger 2004 cotton crop and falling international prices led to increased concerns regarding defaults on existing contracts with Chinese companies. The NCC continues to monitor new phytosanitary rules issued by China to ensure these rules do not unduly restrict U.S. cotton fiber exports.

To strengthen relations with China, NCC Chairman Woody Anderson traveled to the country for an orientation on its agriculture and textile sectors. He urged Chinese officials to administer TRQs as mandated in their WTO agreement and to engage U.S. counterparts in consultations as provided in safeguard procedures. He also emphasized the importance of working to increase domestic consumption of cotton products in China.

NCC staff also traveled with USDA-Agricultural Marketing Service staff and others to learn more about China's Cotton Classification Reform plan and encourage the use of standards that will facilitate U.S. cotton exports.

As the January 1, 2005 date for lifting worldwide textile quotas approached, the NCC supported the U.S. textile industry as it focused its attention on the impact that China would have on U.S. textile production and the production of apparel by other countries that traditionally have supplied the U.S. market.

An initiative that began with a March 2004 Istanbul meeting of officials from the American Textile Manufacturers Institute, the American Manufacturing Trade Action Coalition (AMTAC) and the Istanbul Textile and Apparel Exporters Association has, in the ensuing months, resulted in the formation of the Global Alliance for Fair Textile Trade (GAFTT). Now comprised of some 98 organizations, including the NCC, from 54 countries, the group's request for a special meeting of the WTO to consider the impact of the textile quota phase-out was rebuffed by the WTO, despite being supported by Mauritius, Bangladesh, the Dominican Republic, Lesotho,



Mexico, Nepal, Sri Lanka and Turkey. However, the Director General of the WTO noted that the scheduled quota phase-out had become a major issue that needed to be addressed.

Closer to home, a coalition of textile interests, including the National Council of Textile Organizations and AMTAC, with the support of the NCC, developed 12 petitions requesting relief under the textile specific safeguard provision in the U.S.-China WTO accession agreement. The requests asserted that imports from China would increase when the quotas were removed and would threaten the United States with market disruption in the specific product categories covered by the petitions.

The Committee for the Implementation of Textile Agreements (CITA) is authorized to limit imports from China of the specific category to a 7.5 percent growth rate if it determines those imports cause or threaten to cause market disruption in the U.S. textile market. CITA accepted most of the petitions for investigation and was to make a final decision regarding import relief in January or February of 2005.

### Other Trade Negotiations

The NCC also was involved in an advisory capacity with a host of separate trade negotiations being carried out by U.S. Trade Ambassador Robert Zoellick, including free trade negotiations with Australia, Bahrain, Morocco, Thailand, Central America, the Andean countries, South America, South Africa and Panama. Free trade agreements were completed with Australia, Bahrain, Morocco and Central America.

While the NCC supported the Australia agreement and generally encouraged free trade negotiations with countries in the Western Hemisphere, it has significant objections to provisions in the agreements with Bahrain, Morocco and Central America, which circumvented the traditionally applicable rule-of-origin for textiles. The exceptions threatened to offset potential benefit to the U.S. textile industry.



USTR Ambassador Allen Johnson takes time out to be interviewed during his tour of Delta farming operations and discussions of U.S. trade policy with Mid-South cotton industry members.

In addition, Congress hurriedly completed action to extend African Growth & Opportunity Act legislation from its planned 2008 expiration date to 2015. This bill also contained troubling exceptions to traditional rules-of-origin that could, ultimately, harm the U.S. textile industry. The NCC also called Congress' attention to its significant concerns with legislation that would have made Haiti a platform for Asian countries to undercut the U.S. textile and apparel industries.

Despite repeated efforts to achieve compromise with respect to the rule-of-origin exemptions contained in the Central America Free Trade Agreement (CAFTA), the NCC was unable to report progress on the CAFTA, leaving the U.S. cotton industry with an unsatisfactory agreement that likely will be voted on by Congress early in 2005.

## Communications

*Major activities carried out during 2004.*

The National Cotton Council (NCC) escalated its defense of current farm legislation while raising the public's awareness about agriculture's importance to and impact on regional economies. Producers and rural business owners were interviewed for print and video releases distributed to media outlets in Georgia, Tennessee, Texas and Kansas, as well as to Congressional members.

This effort paralleled the NCC's continued partnership with the National Association of Wheat Growers and other agricultural organizations in "Home Grown" – a national public relations campaign designed to magnify the message that U.S. farmers' provide safe, bountiful and affordable food and fiber.

The NCC also continued to communicate U.S. cotton's contributions to this nation through the NCC's "Cotton Counts" educational campaign. That awareness effort is being carried out primarily by the National Cotton Women's Committee volunteers who participated in national Ag in the Classroom seminars to increase their effectiveness at reaching students.

Conveying to lawmakers the magnitude of the pre-harvest hurricane damage to Southeastern cotton production was a major communications' initiative. The NCC generated and distributed print and radio news reports that were picked up by numerous local and national outlets, including the Associated Press.

The NCC also arranged for writers and broadcasters to join U.S. Trade Representative Ambassador Allen Johnson when he toured cotton operations in the Mid-South and talked to industry members about the Administration's trade priorities.

Foreign and domestic journalists showed continued interest in U.S. cotton in light of



Georgia cotton producer Mike Newberry was interviewed as part of a NCC communications effort to highlight the importance of agriculture and farm programs to rural communities.

the Brazil case and ruling against the U.S. cotton program and the World Trade Organization negotiations that spotlighted the commodity. The NCC coordinated numerous interviews for broadcasters and writers who sought interviews with cotton industry members and NCC staff.



Participation in the “Helping Americans Vote” campaign helped provide information about voter registration and early and absentee voting. That included a series of email and *Cotton’s Week* messages encouraging NCC members, and their employees, family and friends, to vote in their primaries and the November election.

The Helping Americans Vote program was highly successful in helping voters obtain information on early voting.

## Technical

*Major activities carried out during 2004.*

Concerns with bio-security and bioterrorism for food and agriculture greatly increased in 2004. That prompted closer agency coordination and the NCC monitoring of regulatory requirements’ development.

The NCC prepared fact sheets for ginner and cottonseed sectors regarding the Food & Drug Administration (FDA) food/feed rule promulgated in response to the Bioterrorism Act of 2002 and for warehouse members to help them comply with the USDA security plan requirements caused by Department of Homeland Security (DHS) Presidential Directives. These directives also led to detailed DHS, FDA and USDA communication efforts affecting agriculture and feed/food handlers and processors. Chemical security legislation that would affect agricultural chemicals will be reintroduced in 2005.

In that vein, the NCC worked with USDA’s Animal & Plant Health Inspection Service (APHIS) on a proposed Environmental Impact Statement in connection with the potential changes to the regulation of the importation, movement and release of transgenic organisms. The NCC also sought to properly fund this effort in the 2005 fiscal year. Comments also were lodged in support of APHIS’ deregulation of Widestrike Insect Protection, which helped ensure its availability for the 2005 growing season.

The NCC’s Electronic Documents Task Force began the development and implementation of electronic phytosanitary documents. That need arose as recent shifts by USDA and Homeland Security prompted changes affecting APHIS’ phytosanitary inspections and certificates on U.S. raw cotton. The NCC Phytosanitary Accreditation Protocol Task Force, chaired by North

Carolina warehouseman Coalter Paxton, III, was created to harmonize the accreditation processes throughout APHIS to ensure U.S. cotton's continued timely flow into world markets.

A NCC priority is the re-registration process for the approval of current, reliable crop protection products. That included coordination with EPA's Special Review and Re-registration Division on the re-registration of several insecticides, herbicides and fungicide seed treatments. NCC help was given in identifying use patterns and changes in cultivation practices that have occurred since the passage of the 1996 Food Quality Protection Act, which requires the re-registration of chemicals labeled before 1984. As the August 2006 deadline for re-registration approaches, the NCC is working to insure that several key crop protection products, including aldicarb and malathion, will continue to be available to cotton producers. Specific agency concerns, such as endangered species risks, also were addressed.

The NCC also communicated with EPA to: 1) ensure timely registration and availability to producers of biotechnology traits, and 2) help formulate a position for defending feasible Bt cotton refuge options, including urging the adoption of a resistance management component in EPA's Section 18 change proposal.

All Cotton Belt regions are either under active eradication or have been eradicated of the boll weevil except for one Texas zone that was to vote in early 2005.

The Boll Weevil Action Committee's (BWAC) post eradication transition subcommittee developed protocols for those activities. A Technical Advisory Committee also was appointed to provide technical expertise on post eradication related issues. The USDA reported that the Boll Weevil Farm Services Agency Loan Program was "an unsung success story" with an excellent loan repayment record.

The Pink Bollworm Action Committee (PBAC) remained committed to securing full funding for the program that was initiated in Trans Pecos/El Paso, South Central New Mexico and Chihuahua in adjacent Mexico. The PBAC also agreed that if supplemental funding becomes available for 2005, the pink bollworm eradication program would implement the program's sterile moth component. The BWAC voted to support the dual pink bollworm and boll weevil eradication programs along the U.S./Mexico border by setting aside funds for possible use in these programs.

Along with other agricultural interests, the NCC worked within the Pesticide Policy Coalition (PPC) to ensure EPA gave final guidance on whether clean water permits would be required for proper application of pesticides under the Federal Insecticide, Fungicide & Rodenticide Act. The PPC sent a letter to EPA encouraging the agency to respond formally to an Idaho county's request for a National Pollutant Discharge Elimination System permit for mosquito control spraying. The Senate included report language in its 2005 appropriations process directing EPA to make their July 2003 interim guidance final.

Coordination with the American Farm Bureau Federation, CropLife America, regional cotton interest organizations and others resulted in a strong show of support for the joint counterpart regulations for the Endangered Species Act (ESA). The NCC continued to advocate the

development of counterparts as a scientific means in which threats to endangered species can be determined. The NCC also communicated with Cotton Belt Congressional members in support of two separate “agriculture-friendly” bills that would amend the ESA.

Efforts were redoubled on cotton quality and flow.

The NCC re-emphasized its seed cotton/lint contamination prevention campaign. In coordination with the National Cotton Ginners Association, USDA and others, advisory stickers and updated brochures were sent to ginners with recommendations of ways to prevent lint contamination. The goal was to reach producers, custom harvesting crews and ginning crews about the importance of zero contamination tolerance and maintaining the industry’s reputation for delivering clean, pest free cotton.



New “awareness” decals were part of the increased emphasis placed on the NCC’s seed cotton and lint contamination prevention campaign.



NCC’s Quality Task Force, chaired by Larry Nelson, asked the NCC to issue an industry advisory regarding gin moisture.

The NCC’s Quality Task Force, chaired by Texas producer/ginner Larry Nelson, asked the NCC to issue an industry advisory cautioning ginners to exercise care in adding moisture because of still undetermined quality risks.

NCC, Cotton Incorporated, University of Georgia and industry specialists developed consensus recommendations regarding agronomic, harvesting and processing decisions that ensure optimum fiber quality is produced and preserved. They focused on a multitude of factors alleged to cause increase in short fiber, especially in prior years’ southern Georgia and Florida growths.

The Joint Cotton Industry Bale Packaging Committee’s specifications for the 2004 crop included a USDA requirement that bagging manufacturers discontinue manufacturing strip-coated and randomly-coated woven polyolefin bagging in favor of fully coated bagging. Use of existing inventories of strip-coated bagging was allowed as long as those bags were manufactured prior to May 11, 2004, the date the revised packaging specifications went into effect.

Working with its Cotton Flow Committee and industry trade organizations, the NCC submitted comments to the Commodity Credit Corporation’s (CCC) proposal on warehouse standards. The



NCC conveyed the industry's belief that outside storage is inconsistent with safe and effective storage of CCC interest commodities.

A NCC Rack Sample Study Committee survey examined the usage and handling of bale (rack) samples in order to evaluate the costs/benefits of current practices and their effect on marketing and flow. The Committee recommended to the NCC Board that economic benefits of samples to the merchant and mill be investigated and sample handling practices and uses continue to be monitored.

Cotton is well represented on the recently reappointed USDA Agricultural Air Quality Task Force (AAQTF). That panel advises USDA to help insure that the best available science is used by EPA in all air regulations that affect agriculture. Particulate matter (PM) and ozone (volatile chemicals from pesticides are precursors) are key issues which potentially could lead to "permit to farm" type regulations. AAQTF members include: Dr. Calvin Parnell and Dr. Brian Shaw, Texas A&M University; Kevin Rogers, Arizona producer; Robert Avant, Jr., Texas Food & Fiber Commission; Roger Isom, California Cotton Growers & Ginners Association; and NCC Senior Scientist Dr. Phillip Wakelyn.

NCC also is working with several coalitions on the revision of the PM national ambient air quality standards to make them more appropriate for agriculture.

In other key 2004 activities, the NCC:

- coordinated a Cotton Belt tour for Egyptian officials on a Cotton Belt tour, in conjunction with CCI and USDA-APHIS, that demonstrated: 1) how U.S. cotton production and ginning practices eliminate the risk of U.S. baled cotton exports transporting live boll weevils or other cotton pests and 2) why costly fumigation of densely-packed baled cotton is not necessary.
- joined with several coalitions to help farms, gins and oil mills that are affected by the EPA oil spill prevention and response Spill Prevention Control and Countermeasure (SPCC) plan regulations. EPA extended the compliance dates deadlines for amendments to the SPCC by 18 months and is considering potential rulemakings for oil filled process equipment and facility threshold, which could be important for gins and cotton production.
- worked to ensure that the potential flammability standards do not unfairly affect cotton products. Such standards, which could affect more than 4 million bales of cotton, are being developed by the Consumer Products Safety Commission and California Bureau of Home Furnishings for upholstered furniture, mattresses and bedclothes, and general wearing apparel.
- assisted in Occupational Safety & Health Administration-related issues, particularly with cotton dust and hazard communication.
- monitored EPA and FDA actions on dioxin in food and feed that could severely affect cottonseed products.
- communicated positive science-based information on biotech cotton's benefits by presenting a paper at an international conference, helping prepare a book chapter and participating on the "Report of the Second Expert Panel on Biotechnology of Cotton."



- led reviews of USDA Agricultural Research Service post-harvest cotton and fiber bioscience research, which exceeds \$12 million.
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- changed the 2005 Beltwide Cotton Conferences to a concise, three-day format.
- followed the hours-of-service lawsuit and the DC Circuit Court of Appeals stay on further action that ensured trucking operations, including cotton module trucks, were not hampered during the 2004 season.
- succeeded in getting several amendments to rules controlling air pollutant emissions from vegetable oil processing, including exempting users of extraction solvents, other than hexane, from detailed air quality recordkeeping and reporting requirements.
- initiated revisions of fire, building and other codes that apply to densely-packed cotton bales. This was a necessary step as both the National Fire Protection Association and International Code Council had adopted codes that erroneously classified densely-packed baled cotton as a highly combustible material and therefore, a hazardous material. This would have affected storage of baled cotton and could have prevented the building of new warehouses.



The NCC-coordinated 2005 Beltwide Cotton Conferences offered attendees opportunities to gain a wealth of information, including this panel discussion of managing lint quality for profit.

## Cotton Council International

*Major activities carried out during 2004.*

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.



The healthy pace of U.S. raw cotton exports in 2004 was boosted by Cotton Council International's multi-faceted promotion efforts.

encourage purchases of COTTON USA–licensed products from partners in South Asia.

Through the collaboration of CCI, Cotton Incorporated and Supima at the COTTON USA stand at Texworld, CCI made new contacts for its supply chain marketing effort and signed three new COTTON USA Mark licensees.

Cotton fiber and textile production must meet synthetic competition head on in rapidly developing markets like India, China, Brazil and Turkey to be successful. CCI and Cotton Incorporated's multi-faceted generic cotton promotion campaign in India - the Cotton Gold Alliance – continued to reap dividends. Following two years of campaign efforts, the Seal of Cotton became the recognized symbol of cotton quality in India. Participants are being shown that it is in their best interest to promote cotton in India at their own expense. If successful, the model for demand enhancement will be taken to other markets.

The 2004 COTTON USA Executive Delegation conferences connected U.S. cotton leaders with key buyers from South Asia and Southeast Asia. CCI also broadened its trade servicing roster in China to reflect the growing volume of cotton purchased by Chinese mills.

CCI continued to promote U.S. cotton's unique attributes and technical services overseas through numerous joint projects with Cotton Incorporated. Key examples included: 1) the COTTECH Conferences in Istanbul and Gaziantep that attracted 100 key executives from all major spinning companies and 2) the EFS® conference in Singapore that attracted executives from 24 Indonesian spinning mills who heard testimonials on the merits of a close partnership with the U.S. cotton industry and on targeted merchandising of U.S. cotton to EFS® users; 3) "The Cotton Forum" in Mexico City where 30 of the largest textile manufacturers in Mexico and the United States met in a event designed to showcase cotton fabrics to apparel manufacturers, retailers and apparel importers.

For the first time in nine years, global cotton production significantly exceeds demand at the same time that the U.S. has a record crop to export. With changing global dynamics in apparel sourcing coupled with volatile prices and the U.S. entering the quota-free era of 2005, CCI continued to adjust its COTTON USA program to stay a step ahead.

Utilizing its "Supply Chain Marketing" approach, CCI invited European retail organizations to participate in its COTTON USA Sourcing tour to Turkey. Those retailers have a joint turnover of \$7 million dollars and sell products in 120 countries. CCI also sponsored a buyers' tour of European retailers to Islamabad, Pakistan; Mumbai, India; and Dhaka, Bangladesh. The trip was designed to

If there is one event that epitomizes the industry's efforts to showcase its products and services, though, it's the Sourcing USA Summit. The 2004 event in San Diego gathered CEOs from top cotton buying mills representing 30 countries.

CCI's programs continued to search for new ways to add demand and profitability for the full range of cotton products.

In Mexico, CCI continued to promote cottonseed meal to dairy and livestock feeding operations. In China, discussions between the 2004 U.S. Linters Trade Team and participants from five Chinese mills suggest a future increase in exports of U.S. linters to China. The Team discussed availability and quality of U.S. linters and the import process into China.

In a new initiative, CCI and Cotton Incorporated are working with the U.S. industry to explore export potential for compressed, baled cotton sliver. Early indications are that baled sliver could play a role in specialty and diversified mills overseas and might even open avenues to replace some synthetics in blended products.

The Cotton USA Sourcing Summit in Miami hosted nearly 400 representatives of U.S. importers and mills, and Caribbean Basin, Sub-Saharan Africa, and Andean garment manufacturers. Funded by the Importer Support Group of the Cotton Board, the event was designed to further integrate U.S. cotton yarn and fabric exports with garment manufacturers in regions with preferential trade agreements with the United States.



CCI also welcomed the largest knitters and apparel makers from Central America to meet U.S. mills on their home turf where the U.S. cotton textile industry highlighted its commitment to quality and efficiency and to boosting exports into this important market.

CCI co-sponsored a Sourcing USA Summit in Miami that optimized trading opportunities between U.S. importers and retailers/manufacturers from the Caribbean Basin, Andean region and Sub-Saharan Africa.

Ten U.S. mills and 60 Andean apparel manufacturing companies solidified business ties at the second Andean Sourcing Fair in Cartagena, Colombia. COTTON USA's Colombiamoda show in Medellín resulted in transactions of some \$40 million. CCI invited 10 U.S. mills to participate in Colombiatex, Colombia's most prestigious international textile trade show. The 13th annual CBI Apparel Sourcing Show in Guatemala City featured 15 U.S. textile mills.

CCI and Cotton Incorporated's "Cotton Team" communicated the benefits of U.S. cotton and its products to the global home textiles trade at Heimtextil attended by 3,000 companies from 72 countries.

COTTON USA Mark-labeled products have come to symbolize premium merchandise. Since 1989, the Mark has been placed on premium brands of 100 percent cotton products using at least 50 percent U.S. cotton. COTTON USA licensed merchandise generated nearly \$190 million in sales last year. Among highlights are:



- COTTON USA's "Nothing Feels Like This" promotion in Taiwan resulted in a landmark \$55 million dollars in sales and more than \$8 million dollars in earned media exposure for the COTTON USA Mark.
- New COTTON USA licensee Jackie Chan introduced his JC Collection of high-end men's apparel to the Chinese public in 2004.
- Following a successful promotion with COTTON USA in 2004, next year's retail sales under the expanded promotion with VF Corporation, the world's largest apparel company, are targeted at more than \$27 million dollars.
- CCI's "Cotton Comfort" Promotion with Germany's Karstadt department store generated more than \$8 million dollars in sales, while third-party contributions totaled nearly \$2 million dollars.
- During the Colombian "COTTONCIERTO Bacilos" promotion, the Grammy-winning group Bacilos played two concerts in Bogota and Medellín for COTTON USA consumers, reinforcing the COTTON USA brand among target age groups.
- At CCI's COTTON DAY 2004 in Japan, CCI, Cotton Incorporated and the Japan Spinners' Association awarded Mr., Mrs. and Miss COTTON USA titles to famous Japanese celebrities. CCI-Japan received more than \$2.5 million in equivalent advertising value from the event.
- COTTON USA teamed with children's wear manufacturer ICC International to generate new sales in Thailand. A sales growth of 17 percent over the previous year, achieved as a result of the promotions, is expected to draw more U.S. cotton fiber through the supply chain in Thailand.
- Sales from CCI's "Cotton + Lycra" campaign increased 10 percent from 2002. The promotion enticed Korean consumers to purchase COTTON USA/Lycra-labeled products from COTTON USA Mark licensees "James Dean" and "Bodyguard."

NCC President/CEO Mark Lange attended a CCI event in China announcing that action hero/actor Jackie Chan's apparel line had become the latest licensee in the COTTON USA program.



Coupled with its U.S. industry partners and its 266 licensees overseas, CCI garnered a 10-to-1 leverage of industry funds against public funds and nearly \$41 million in third party contributions overseas in 2004.

## The Cotton Foundation

*Major activities carried out during 2004.*

The Cotton Foundation vigorously carries out its mission of encouraging, facilitating and conducting cotton research and education.

However, the Foundation yields its support to projects that can help the NCC carry out its mission of providing U.S. cotton industry members a world marketplace advantage.

That edge is new technology - in the form of new products, systems or techniques. All [Foundation-supported projects](#) are aimed at developing these tools to help industry members reduce their fiber production, processing and handling costs. Projects seek solutions in the areas of market development, profitability and regulatory.

The Foundation is providing consistent support for the U.S. cotton industry. For 2004-2005, trustees approved 29 projects funded at \$393,000. This supported several ongoing projects as well as support for such new efforts as the International Cotton Genome Initiative Workshop and efforts to develop module/bale management strategies through inventory control.



2004-2005 Cotton Leadership Class participants are front row (l-r): Dale Cougot, Justin Cariker, Robert Oppenheim, Max Denning and Ron Lee, and back row (l-r): James Askew, Carlo Bocardo, Adam Hatley, Craig Moore and Debra Barrett.



Cotton producers from Texas and Oklahoma observed irrigation methods in the arid Far West as part of the 2004 Producer Information Exchange.

cotton industry.

Non-dues grants from some members have enabled the Foundation to sustain 12 special projects. In addition, individual Foundation member firms continued to provide direct support for some of the NCC's communications vehicles, the [Cotton's Week](#) newsletter, the [AgDay Cotton's Week](#) program and Cotton eNews. Such partnerships are invaluable and can benefit the NCC immeasurably in sustaining its mission and propelling U.S. cotton's success in the world marketplace.

For the past several years, the Foundation consistently has retained [70-plus members](#). This level of commitment from agribusiness demonstrates a willingness to help meet the challenges necessary for ensuring a viable U.S.

## Video Staff Report

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