

# 2007 NCC Report to Members

*Read about major activities carried out in 2006 under the leadership of 2006 National Cotton Council Chairman Allen Helms.*



## Joint Message from the Chairman and the President

Given clear direction from its delegates at the the National Cotton Council's Annual Meeting in early 2006, the (NCC) moved throughout the year with strong purpose, focus and energy in addressing industry priorities. A major portion of that work agenda was seizing every opportunity to state the NCC's position on farm policy with the Administration and with lawmakers. That included providing testimony at Congressional listening sessions and field hearings and meeting one-on-one with key Senators and Representatives.

As 2006 drew to a close, we continued to hammer home the message that the 2002 farm law enjoys significant support among cotton producers. We believe that direct and counter-cyclical payments provide income support without distorting planting decisions. It is important to continue providing a marketing loan that is available on all production. However, we recognize that some changes may be necessary in order to better respond to the new emphasis on export markets and the termination of Step 2. There should be no further reduction of payment limitations, which already unfairly penalize growers. Conservation programs should continue to be operated on a voluntary, cost-share basis as a complement to, but not as a substitute for, commodity programs.

We did not stand alone.

Testimony from other commodity groups at Senate field hearings signaled strong support for the 2002 legislation. Subsequently, Congressional consideration for some type of farm bill extension in 2007 cannot be ruled out.

Factors we see affecting farm policy development and the timing of new legislation include: 1) budget considerations and 2) the suspension of the World Trade Organization Doha trade talks, which would remove, for the near future, one of the primary external forces on farm bill development.

The NCC poured considerable energy into the Doha Round negotiations. Leadership and staff continued to work closely with the U.S. Trade Representative's office, USDA, Congress and other U.S. agricultural groups to: 1) counter any efforts to further isolate cotton and 2) insist that countries commit to meaningful and permanent market access for U.S. agricultural products.

The NCC will continue to work with USDA and the USTR in developing a defense against Brazil's charges that the U.S. had not complied with the previous ruling of the WTO Dispute Settlement Body regarding certain aspects of the U.S. cotton program. The Panel is scheduled to render its decision in early 2007.

With the growing strength of overseas demand for cotton, the 2005-06 marketing year was the fifth consecutive year of record high U.S. raw cotton exports. The 2005-06 exports, in fact, increased by almost 25 percent over the 2004-05 export volume. Exports of U.S. cotton thread, yarn and fabric also were strong this year, breaking another record.

That's a major reason trading relationships were solidified, most importantly with China, currently U.S. cotton's largest customer. A Memorandum of Understanding signed by the NCC and China Cotton Association pledged cooperation between the two countries' cotton industries.

Operating in 50 markets worldwide and celebrating its 50<sup>th</sup> anniversary, Cotton Council International intensified the promotion of U.S. cotton's quality, reliability and service. The NCC's export promotion arm also stepped up its role in expanding foreign demand for U.S. cotton. This included several new promotional programs in China. The 2006 Sourcing USA Summit also was a resounding success – attracting a contingent of global cotton buyers with more purchasing power than ever.



Senate Appropriations Committee Chairman Thad Cochran (R-MS) addressed participants at Cotton Council International's 50<sup>th</sup> anniversary celebration in Washington.

Another NCC priority was improving the business environment and U.S. cotton's infrastructure to enable the industry to thrive in the global marketplace.

For example, it was clear that USDA gave serious consideration to the industry's consensus positions in its final rule on changes to regulations governing storage, handling and ginning requirements for cotton pledged as collateral for a marketing assistance loan.

NCC leadership also had a concentrated dialogue with Wal-Mart's textile sector management representatives regarding the company's sustainability initiative. Our producer leadership stressed that Wal-Mart should give strong consideration to the attributes of sustainable U.S. conventionally- and organically-grown cotton.

Precedence also was given to crop protection and availability of crop protection products. The NCC's Boll Weevil Action Committee, for example, furthered the transition to activities designed to protect against re-introduction and re-infestation while the NCC's Pink Bollworm Action Committee coordinated pink bollworm eradication expansion options.

The Cotton Foundation's support of cotton research and education is as strong as ever. One example was the addition in 2006 of two new special projects -- a Multi-Commodity Education Program and an online Weed Resistance Management Course.

Sincerely,



Allen Helms  
Chairman (2006)



Mark Lange  
President/Chief Executive Officer

## Legislative Affairs

*Major activities carried out during 2006.*

### *Budget*

The National Cotton Council quickly responded to the Bush Administration's proposed 2007 budget. The NCC noted the harm that would be done to U.S. cotton from that budget's proposed: 1) closing of USDA cotton ginning laboratories in Lubbock, TX, and Las Cruces, NM, and 2) cuts to USDA Agricultural Research Service studies at other Cotton Belt facilities.

The NCC later conveyed its funding priorities in letters to the chairmen of the respective House and Senate appropriations committees. Strong support was expressed for the 2002 farm law and opposition to re-opening it in order to further restrict farm program benefits. The letters asked for the funding necessary for successful completion of the boll weevil eradication program, full implementation of the pink bollworm eradication effort and new technology developed through research. The letters reiterated concern with the Administration's proposal to eliminate USDA-ARS projects and close the two ginning laboratories. The letter also conveyed the need for continuation of demand-building export programs, including the Market Access, Foreign Market Development and GSM credit programs.

### *Farm Policy*

NCC Chairman Allen Helms, NCC Vice Chairman John Pucheu, NCC Director Rickey Bearden and American Cotton Producers (ACP) Vice Chairman Chuck Coley were among the many NCC leaders who testified at numerous farm law reauthorization field hearings. The Congressional hearings were held across the nation, including many of the Cotton Belt states.

Producer witnesses championed the 2002 farm law and urged Congress to work for adequate spending authority for new farm program legislation.

NCC testimony was consistent regarding farm policy, and included the organization's support for using current law as the basis for "future farm policy." The testimony repeatedly called for: 1) maintaining the solid foundation of the combination of a marketing loan, counter-cyclical payment (when prices are low) and a direct payment; 2) no limits on loan eligibility or on marketing loan gains, which would disrupt orderly marketing; 3) no further reduction of payment limitations, which already unfairly penalize growers; and 4) maintaining current eligibility requirements.

The witnesses also stated that while conservation programs would be an important component of new law, these programs should continue to be operated on a voluntary, cost-share basis as a complement to, and not a substitute for, commodity programs. They pressed for continuation of: the successful public-private partnership fostered by the Market Access Program, funding for the Foreign Market Development program, and a World Trade Organization (WTO) compliant export credit guarantee program. They urged solid support for agricultural research and the successful

government-industry boll weevil and pink bollworm eradication efforts. They also cited the need for improved crop insurance and a permanent disaster program.

At a hearing of the Senate Committee on Agriculture, Nutrition & Forestry Committee in Missouri, NCC Chairman

Helms said that U.S. cotton was prepared to continue working with all interests to develop and support the continuation of a balanced and effective policy for all of U.S. agriculture. He told Committee Chairman Saxby Chambliss (R-GA) that most cotton producers, and a majority of the industry, would be satisfied with a 2002 farm law extension, as envisioned in legislation authored by Senators Jim Talent (R-MO) and Blanche Lincoln (D-AR) that would extend the 2002 law until new WTO trading rules were in place. Helms also thanked Senators Chambliss, Lincoln and Talent for resisting efforts to dramatically reduce current payment limitations to levels that would be intolerable for cotton and rice producers.



The NCC chairman reiterated the NCC's position before the House Committee on Agriculture. At that Washington, DC, hearing, Helms: 1) restated U.S. cotton producers' deep concern about the decline of their longstanding and valued customer, the U.S. textile industry, and how the loss of Step 2 had compounded that sector's fragile financial conditions and 2) noted that the remaining manufacturers indicated strong interest in revising Step 3 import policy and developing a possible WTO-compliant alternative to Step 2.

Helms also told the Committee that as policy is developed, any impact on markets for cottonseed be carefully considered and mitigated if necessary and appropriate. He noted that cottonseed accounts for 15 percent of farm-gate value with the feed market becoming increasingly important for cottonseed.

Later in the year, the NCC's Farm Policy Development Task Force, chaired by Texas producer Woody Anderson, met to begin consensus-building on future farm policy. The group reviewed background information similar to that considered by the ACP's Farm Policy Committee, chaired by Jimmy Dodson, another Texas producer.

*"The financial safety net provided by our farm policy has never been more critical and must be preserved. The combination of direct and counter-cyclical payments with the marketing loan provides an effective means of income support." ... NCC Director Rickey Bearden*

USDA's actions had greater than usual impact on the U.S. cotton industry.

The Farm Services Agency announced changes as a result of the Deficit Reduction Act of 2005. The Act repealed Upland Cotton User Marketing Certificate Program (Step 2) payments to domestic users and exporters of upland cotton, which became effective on August 1, 2006. The Act also reduced the maximum advance direct payment percentage for the 2006 crop year from 50 percent to 40 percent and reduced the maximum advance direct payment percentage for the 2007 crop year to 22 percent.

USDA, in compliance with a 2002 farm law provision, created a database of farm program conservation and commodity payments. The database can be used to track payments to individuals, including those who directly receive payments and those who receive payments as members of larger entities.

Later, USDA extended until May 1, 2006 the deadline for temporary use of outside storage of cotton pledged as collateral for Commodity Credit Corporation marketing assistance loans.

After consulting industry interest organizations and through deliberations of the NCC's Performance and Standards and Bale Moisture task forces, the NCC commented on USDA Commodity Credit Corporation's proposed rules, affecting 2006 and subsequent crop-year marketing assistance loan programs. The rulemaking sought comments on a wide range of quality, storage and congestion issues affecting cotton flow. The Performance and Standards Task Force, chaired by Alabama ginner Robert Greene, developed a comprehensive set of recommendations addressing the CCC-proposed rule. Kenneth Hood, chairman of the NCC's Bale Moisture Task Force, joined Greene and NCC staff in briefing USDA officials on the NCC's position.

The NCC provided a summary of crop conditions to Congressional members and their staff and issued a statement supporting emergency disaster legislation. The NCC also joined farm, commodity, livestock and rural advocacy organizations in correspondence, urging Congress to act on emergency disaster assistance legislation before their late September campaign recess. Those groups also organized well-attended press conferences on the matter.



The NCC helped communicate USDA-announced rules and sign-up period for the 2005 crop cottonseed disaster assistance program.

Helms and ACP Chairman Jay Hardwick met with

Congressional members and their staffs to discuss the need for assistance. Shortly after, Helms and Danny Robbins, an Oklahoma producer, outlined the significant weather-related Cotton Belt crop losses in testimony before the House Agriculture Committee and subcommittee hearings. The Senate failed to approve comprehensive disaster assistance legislation before its Christmas recess leaving any relief in the hands of the 110th Congress when it convened in early 2007.

The NCC helped communicate USDA-announced rules and sign-up period for the 2005 crop cottonseed disaster assistance program and provided a map of eligible counties on the NCC web site. Congress provided \$15 million in assistance to producers and first-handlers of the 2005 cottonseed crop in counties affected by Hurricanes Katrina, Ophelia, Rita and Wilma, or a county contiguous to such a county. The funding was included in the 2006 Emergency Agricultural Disaster Assistance Act.

### *Crop Insurance*

The NCC presented its views to USDA's Risk Management Agency (RMA) in its cotton policy review. NCC Director Rickey Bearden presented comments to a Federal Crop Insurance Corporation's (FCIC) directors meeting where he stated that the U.S. cotton industry supports a viable federal crop insurance program but does not support it as a delivery system for farm program benefits. The NCC also communicated the dates and locations of RMA listening sessions aimed at gathering input on crop insurance from producers in the four cotton-production regions.

The FCIC later issued a proposed rule regarding changes in the Common Crop Insurance Regulations. The major change was that a producer will be able to elect either yield protection or revenue protection for barley, canola, corn, cotton, grain sorghum, rapeseed, rice, soybeans and wheat. The NCC, after consultation with its Crop Insurance Task Force and other interested parties, submitted comments supporting the overall concept but pointed to a number of specific

concerns, including burdens placed on producers who plant cover crops prior to dry-land cotton and numerous provisions allowing RMA to withdraw price protection or outright deny coverage. The recommendations were to be considered for regulations effective for 2009 fall crops with a June 30, 2008 contract change date.

*In other key legislative activities, the NCC:*

- Joined the Southeastern Cotton Ginners Association to get an extension on the sign-up for the 2004 Cottonseed Payment Program.
- Urged USDA Secretary Mike Johanns to make the final 2005-crop counter-cyclical payment (CCP) for upland cotton as soon as possible. Johanns, in turn, announced an accelerated CCP delivery of \$700 million in late August.
- Asked Secretary Johanns to authorize the initial advance CCP for the 2006 crop at the maximum allowable rate.
- Monitored a Senate-passed immigration reform bill that would set wages for undocumented farm workers and create an earned path of citizenship for them and the 40,000-plus legal guest farm workers on H-2A visas.
- Responded to a *Federal Register* notice saying that a USDA confirmation referendum to continue the amendments to the U.S. Cotton Research and Promotion Program was unwarranted. NCC Chairman Helms noted the program enjoys overwhelming support from cotton producers.

## Trade

*Major activities carried out during 2006.*

### *WTO*

The National Cotton Council was visible and vigilant in the World Trade Organization's (WTO) Doha Round negotiations. NCC leadership and staff continued to work closely with the U.S. Trade Representative's (USTR) office, USDA, Congress and other U.S. agricultural groups to: 1) counter any efforts to treat cotton inequitably and further isolate it and 2) insist that countries commit to meaningful and permanent market access for U.S. agricultural products commensurate with any reductions in program support.

Early in 2006, NCC Chairman Allen Helms and Vice Chairman John Pucheu met with Administration officials to convey the U.S. cotton industry's concerns over the Hong Kong ministerial text. They expressed their belief that the general agreement on agriculture should be far more developed prior to any further cotton discussions. Helms later met with officials at USDA, the State Department and with Congressional members to urge resistance of any further efforts to isolate cotton for separate treatment during mid-year meetings aimed at jumpstarting the Doha negotiations.



The NCC joined a coalition of commodity, farm and dairy organizations in a letter which expressed concerns about the Doha round's status. That coalition's letter to President Bush, which was shared with USDA, USTR and Congressional members, stated several key points regarding the negotiations. Notably, the letter included a caution that the ambitious U.S. offer to reduce trade-distorting domestic supports is contingent on achieving the U.S. objective of increased market access and reductions in other trade-distorting practices conducted by U.S. trading partners.

That message was conveyed directly to WTO Director General Pascal Lamy by Helms who was among a group of leaders representing 11 U.S. farm and commodity organizations.

Throughout 2006, NCC leadership and staff, including Helms and Pucheu, participated in numerous meetings in Geneva where they were briefed on the Doha negotiations and were able to reiterate U.S. cotton's position to key trade ministers. Following the submission of draft modalities on the negotiations' agricultural text, Helms said the NCC would continue to work closely with Congress and USTR to ensure that a balanced and ambitious agreement is reached. His statement, following a meeting of WTO ministers in Geneva, called for a renewed focus on trade liberalization as a path to a successful agreement.

*“Any agreement must achieve significant and commercially meaningful increases in market access in both developed and developing country markets.” ... NCC Chairman Allen Helms.*

Helms commended the Administration and Congress for not allowing deadlines to undermine the nation's sound negotiating position. He also publicly thanked Senate Agriculture, Forestry and Nutrition Committee Chairman Saxby Chambliss (R-GA) for his support of U.S. negotiators in the face of continued grandstanding by the European Union during those ongoing negotiations. Agriculture's concerns were repeatedly echoed by Senator Chambliss (R-GA), including his statements following the Asian-Pacific Economic Cooperation meeting in Vietnam.

After the Doha Round was suspended, Helms commended Ambassador Susan Schwab and Agriculture Secretary Mike Johanns for continuing to demand an ambitious result in the negotiations.

*“Let me be clear, the United States offer on domestic support must be calibrated to reflect the market access offers on the table or a final agreement will not pass the U.S. Congress.” ... Senate Agriculture Chairman Saxby Chambliss (R-GA)*

In other WTO-related activity:

- NCC President/CEO Mark Lange sent a letter to Ambassador Schwab and Agriculture Secretary Mike Johanns urging them to call on China to participate fully in market access commitments and for those officials to reject calls for further concessions by the cotton industry. The letter pointed out that when combined with the elimination of Step 2, modifications of GSM export credit programs and the U.S. proposal on reduction in trade distorting domestic supports, the Cancun and Hong Kong ministerial's reference to "expeditious and ambitious" treatment for cotton already has been met.
- Lange also told "The Next Steps for Africa" conference participants that it was unfortunate that a number of non-governmental organizations encouraged the West African C-4 to walk away from the Doha negotiations.
- Earlier in the year, Helms conveyed industry concerns with a C-4 proposal for disciplines on domestic cotton support in the Doha negotiations. He reiterated the NCC stance that "a single commodity focus is misplaced if gains for the majority of the world's farmers are a standard for success" and that no one has yet matched U.S. ambition on agricultural market access.
- The NCC continued its work with the USTR and USDA in developing a defense against Brazil's charges that the United States had not complied with the previous ruling of the WTO Dispute Settlement Body regarding certain aspects of the U.S. cotton program. That action came after a WTO Compliance Panel was named to hear Brazil's charges that the U.S. measures were inadequate.

### *China*

Will Coley, a Savannah, GA, warehouseman, told the Joint Subcommittees of the House Small Business Committee that China maintains barriers to fair trade and engages in practices that provide unfair advantages to its textile manufacturers. He said it was critical that the U.S. cotton industry work with Congress and the Administration to insist that China be held accountable to the rules and commitments of WTO membership.

A delegation of industry leaders, led by NCC Chairman Helms and Vice Chairman John Pucheu, toured farming, ginning, warehouse and textile operations in China. The delegation met with key Chinese officials to discuss cotton policies and issues.



A Memorandum of Understanding was signed by NCC and China Cotton Association officials in Memphis. The two organizations pledged cooperation between their countries' cotton industries.

Warehouseman Shane Stephens was part of a delegation of U.S. cotton leaders that toured Chinese cotton farms as part of an orientation to that country's cotton production and processing.

#### *FTAs/Textiles*

The NCC sent a letter to USTR Ambassador Rob Portman and Secretary of Commerce Carlos Gutierrez seeking their assistance in alleviating the effects of "rolling" implementation of the U.S.-Central America Dominican Republic free trade agreements (DR-CAFTA). After Ambassador Portman recommended CAFTA implementation for El Salvador, the NCC pointed out that if a rolling implementation did not fully reflect and accommodate the current range of regional partnerships and trade patterns, U.S. textile and apparel companies could face millions of dollars in excess duties and lost export sales.

Provisions of the Pension Protection Act of 2006 helped alleviate some DR-CAFTA concerns. Under the changes, the material for pockets going into apparel made in the DR-CAFTA region will have to be made in the United States or in DR-CAFTA countries for the product to enter the United States duty free. Also included was a change to the rule of origin for pocketing fabric and a provision of authority to U.S. Customs and Border Protection to effectively enforce the tariff-preference level for Nicaragua.

The NCC, in concert with delegate-approved resolutions, expressed support for Congressional approval of free trade agreements with Peru and with Colombia. The United States finalized a FTA with Colombia that called for immediate duty-free trade in cotton and a yarn forward rule for textile products with no Tariff Preference Levels.

Numerous other FTA talks were initiated, including ones with Malaysia and the Republic of Korea – which are important U.S. cotton customers. The House approved a FTA with Oman, which was opposed by the National Council of Textile Organizations (NCTO) because it included exceptions to the yarn forward rule of origin.

NCTO also expressed opposition to a U.S.-Vietnam bilateral agreement because it did not include an adequate safeguard mechanism to replace current quotas. The industry provided evidence that Vietnam heavily subsidizes its textile industry. They asked that import restrictions remain in place until the subsidies are eliminated. Subsequently, NCTO leaders voted to oppose the agreement and work with Congress to modify the accord or work to defeat extending permanent normal trade relations status to Vietnam.

The NCC also joined textile and apparel groups in asking Congress to act to ensure that there is no interruption in preferential access for products produced in the Andean region containing U.S. cotton, yarn and fabric.

The NCC joined NCTO in asking key Republican Congressional members to express their concern about scheduling floor consideration of legislation that would have extended the Generalized System of Preferences and certain provisions of the Africa Growth and Opportunity Act. Among other effects, that bill would have extended and gradually terminated a provision which allows Sub-Saharan African countries to use textile components from non-African, non-U.S. suppliers to produce products which then receive preferential access to the United States.

In other activity, the NCC:

- Joined NCTO and American Apparel and Footwear Manufacturers Association in conveying support for legislation that would restore the rank of Ambassador to the U.S. Trade Representative's Special Textile Negotiator and re-designate the title as Chief Textile Negotiator and
- Applauded legislation that bolstered the U.S. Customs and Border Protection Department by providing additional personnel in order to escalate seizures and crack downs on textile fraud and transshipment.

## Communications

*Major activities carried out during 2006.*

### *Information Services*

Increasing member awareness on key issues -- from farm policy to trade negotiations -- remained a NCC priority. The daily Cotton eNews, the *Cotton's Week* newsletter, and the *AgDay Cotton's Week* television spots and radio news lines were fully utilized. Those communications were widened through media outlets by using news releases, columns in trade publications and interviews arranged with NCC industry leaders and staff.

The NCC increased the use of its web site, [www.cotton.org](http://www.cotton.org), to provide members with a wide range of timely information. The web postings ranged from rules and fact sheets of various USDA agencies to a new Weed Resistance Learning Module.

The web site also is an excellent conduit for soliciting input and feedback. For example, information gained from the NCC Agri-Business Database has enabled the NCC to mobilize cotton agri-businesses in contacting Cotton Belt Members of Congress and the Administration on key issues. Attendees at the 2007 Beltwide Cotton Conferences' and NCC Annual Meeting also were able to register and make housing arrangements online as well as check updates on the forum's events and programming.

### *Public Attitudes*

The NCC continued to respond to Oxfam America's unfounded campaign against the U.S. cotton program. Included was a letter from NCC President/CEO Mark Lange to the organizers of a speaking tour by West African cotton producers in the United States. Among key points noted in the letter was that "several independent analyses refute the claim that the U.S. cotton program is the cause of economic difficulties faced by West African farmers."

Virginia Cotton Growers Association President Larry Darden reinforced the response to Oxfam's misinformation campaign. His letter to the editor of a Virginia paper refuted comments that commodity programs came at the expense of smaller U.S. farms.

The NCC also coordinated with Georgia and southeastern regional cotton industry leadership on rebuttals to a series of derogatory articles in the *Atlanta Journal-Constitution* that put farm program payments in an unfavorable light and distorted the need for sound farm policy.

*"It is always discomfoting for the press to attack farm programs and payments to growers. We will address the misstatements and attempt to set the record straight." ... NCC President/CEO Mark Lange*

The NCC continued its support of *America's Heartland*, a weekly public television show celebrating the marvel of American agriculture. That support included committee service with other commodity organizations to identify and develop ideas for specific episodes and ways to publicize them.

### *Promotion Services*

Work with the National Cotton Ginners Association and interest organizations in Texas and New Mexico led to the release of news briefings that showed the detrimental effects of the proposed closure of USDA ginning laboratories in Lubbock and Las Cruces. Industry officials explained the importance of the research being conducted at these facilities and the impact on the industry's competitiveness.



A news briefing also was arranged by the NCC in conjunction with the signing of a Memorandum of Understanding between the NCC and the China Cotton Association. The MOU signing in Memphis, TN, signaled a mutual agreement on the promotion of cooperation between the United States and Chinese cotton industries.

China Cotton Association Secretary General Madam Gao Fang is interviewed following the signing of a MOU between the Chinese and U.S. cotton industries.

The NCC also lent promotion and public relations support to Cotton Council International and other organizations. CCI support included work on their annual directory, buyer's guide, calendar, quarterly newsletters, CCI-FAX, as well as various audiovisual reports.

Audiovisual work escalated this year, including projects for both the NCC and other industry organizations. Along with the 2006 NCC audiovisual report, efforts involved updates of the NCC's "Field to Fabric" and the National Cottonseed Products Association's "Cottonseed: The Inside Story," videotapes. Videotape to DVD conversion also increased, including several of the National Cotton Ginners Association's "Gin Safety" tape series.

## Technical

*Major activities carried out during 2006.*

### *Cotton Flow*

USDA gave serious consideration to the National Cotton Council's consensus positions when the agency issued its final rule governing storage, handling and ginning requirements for cotton pledged as collateral for a marketing assistance loan. Among other areas, the rule amended

Commodity Credit Corporation procedures concerning the movement of loan cotton, outside storage of loan cotton, payment of storage credit on loan cotton and enforcement of the warehouse shipping standard.

A delegation of NCC industry leaders and staff, led by Performance and Standards Task Force Chairman Bobby Greene, met with USDA officials to review developments regarding the process for reporting warehouse condition and transferring loan cotton. The industry representatives pledged to work with USDA to expedite finalization of the rules affecting information management and receipts associated with loan cotton while in transit and upon receiving at a new warehouse.

Following further discussions with USDA officials, the Task Force reached a consensus on the components of a warehouse cotton flow reporting form. The panel also agreed priority should be given to developing an industry-adaptable electronic format for this process.

### *Bale Standards*

Following incidences of bale damage due to excessive moisture with the 2005 crop, National Cotton Ginners Association (NCGA) notified all gins and state/regional gin associations and reminded them of the NCC Quality Task Force fact sheet, which addresses the potential impact of excessive bale moisture.

In response to USDA's forewarning of pending proposed rulemaking to address the bale moisture issue, the NCC established a bale moisture task force. The NCC's Executive Committee approved the task force's recommendations to deal with high moisture and water-packed bales.



A new system for applying polyester (polyethylene terephthalate) plastic strapping was approved and added to section 1.2.3. of the Specifications for Cotton Bale Packaging Materials.

The Task Force, chaired by Mississippi producer Kenneth Hood, had recommended placing the burden of responsibility for establishing each bale's eligibility for the marketing assistance loan program on the gins that were operating direct water spray moisture restoration systems. The Executive Committee also approved an amendment offered by NCGA that sought from USDA the denial of loan eligibility for bales processed at gins with direct water spray moisture restoration systems following the 2007-08 crop year.

The NCC's policy on bale moisture was included in its comments to USDA's proposed rule for marketing assistance loan programs.

The Joint Cotton Industry Bale Packaging Committee (JCIBPC) granted approval for the HWJ P361 Plastic Strapping System with lift box style bale presses. Among other key actions were: 1) renewal of several experimental test programs and field trials for modified woven polypropylene and cotton bale bagging, 2) requiring (as a certification condition) manufacturers of polyethylene (PE) film bags to participate in feasibility studies to help determine if PE film bags could be modified to allow moisture vapor transfer and 3) requiring timely reporting of test results from companies with experimental test programs or field trials.

### *Pest Management*

Six million acres in nine states are considered "weevil-free," and a significant amount of acreage in Tennessee, Mississippi, Louisiana, Arkansas, Texas and New Mexico is nearing completion under the National Boll Weevil Eradication Program. U.S. House members from the Cotton Belt sent a letter to House Agriculture Appropriations Subcommittee Chairman Henry Bonilla (R-TX) expressing their support for continued funding of that program. The 2007 federal budget contained \$38.2 million for the weevil eradication program and \$7.2 million for the pink bollworm eradication program.

The NCC's Boll Weevil Action Committee (BWAC), chaired by Senath, MO, producer Charles Parker, furthered the transition of these existing projects into activities designed to protect against re-introduction and re-infestation. The BWAC also approved a plan for the allocation of federal cost sharing funds to program states and adopted a five-year program cost projection.

The NCC's Pink Bollworm Action Committee, chaired by TX producer Bill Lovelady, coordinated pink bollworm eradication expansion options and 2007 plans. The panel developed two options based on federal funding availability. Earlier, EPA agreed to a special local need label to permit Arizona growers to plant 100 percent Bt cotton with use of sterile insects on the refuge cotton. This came after University of Arizona researchers demonstrated that there has been no change in pink bollworm susceptibility to Bollgard. California industry leadership intends to seek similar label permitting if eradication begins in that state.



EPA approved Monsanto's request for the re-registration of Bollgard single-gene cotton through the 2009 season. This action came after the NCC's Environmental Task Force, chaired by AL producer Mike Tate, developed a recommendation strongly supporting the continued registration of the product for not less than three years. This would provide time for development of Bollgard II varieties that will produce yields and qualities equal to premium Bollgard varieties.



The NCC's Boll Weevil Action Committee approved activities designed to protect against re-introduction and re-infestation of this devastating pest.

Tate also told the EPA's Scientific Advisory Panel that NCC supported the adoption and implementation of a natural refuge as proposed by Monsanto for Bollgard II for both bollworm and tobacco budworm. He urged EPA not to lose sight of a workable, effective and fair Integrated Resistance Management plan across all Bt technologies and all cotton production regions.

The NCC monitored the development of "counterpart" regulations that would give EPA greater discretion in determining pesticides' effects on endangered species.

The NCC also continued communicating its scientifically based support for crop protection products as EPA completed its pesticide tolerance reassessments required under the Food Quality Protection Act.

*"Coexistence of non genetically-modified crops and approved traits of GM-modified crops is not a problem in the field." ... NCC Director Don Cameron before a USDA Advisory Committee on Biotechnology and 21<sup>st</sup> Century Agriculture*

In other pest management product preservation efforts, the NCC:

- Worked with EPA and FMC, Inc., manufacturer of Furadan, to express its support for keeping that insecticide available for specific regions and applications. Prior to EPA's proposed cancellation of carboruan, the active ingredient in Furadan, NCC Chairman Helms relayed to the agency the insecticide's effectiveness for thrips and aphid control. Several Congressional members asked USDA Secretary Mike Johanns to convey

USDA's support for a postponement of the final decision by EPA until all scientific data had been considered;

- Communicated the NCC's support for the continued registration of aldicarb, the active ingredient in Temik;
- Joined USDA representatives and university extension weed specialists in meeting with EPA to express their support for the re-registration of MSMA following the agency's proposed cancellation of that herbicide;
- Arranged meetings between EPA, state regulatory officials, cotton interest organizations and weed scientists to grant emergency exemption for use of Reflex on glyphosate-resistant pigweed in Southeastern states; and
- Launched a Cotton Foundation-supported Internet-accessible weed resistance learning module – a course aimed at helping producers prevent the occurrence of herbicide-resistant weeds.

### *Environment*

The NCC and Cotton Incorporated launched a joint initiative on cotton sustainability. Industry leadership and agri-business allies had a concentrated dialogue with textile sector management representatives for Wal-Mart regarding that company's sustainability initiative. Producers stressed that Wal-Mart should give strong consideration to the attributes of sustainable U.S. conventionally- and organically-grown cotton. They also urged the company to carefully consider statements that might mislead the public regarding conventionally-grown cotton, which makes up the overwhelming majority of Wal-Mart's textile inventory. They also pledged to continue the dialogue with Wal-Mart to provide constructive input into their campaign.

### *Regulatory*

The Consumer Product Safety Commission approved a federal mattress flammability standard for small open flame to take effect July 1, 2007. The NCC had asked the agency not to regulate mattresses indirectly by regulating bedclothes.

The NCC participated in a review of such issues as spray drift, human pesticide studies, worker safety, label improvements and National Pollutant Discharge Elimination System permits as part of the EPA's Pesticide Policy Dialogue Committee. That panel included NCC Environmental Task Force member Cannon Michael, a CA producer.

The NCC joined other agricultural groups on a letter expressing support for legislation that would provide for the implementation of international treaties banning 12 toxic substances (already U.S.-banned) known as persistent organic pollutants.

Input on air quality regulations included EPA's actions regarding issuance of proposed rules to monitor fine and coarse particle pollution. The NCC also maintained representation on the EPA and USDA federal advisory committees on air quality.

The NCC created an online resource to raise agro-terrorism threat awareness within the U.S. cotton industry and continued working with state and federal agencies to monitor and communicate counter-terrorism measures that could affect all industry sectors.

In other activities, the NCC:

- Continued serving as a cooperator for the NCGA's 2006 Ginner Schools;
- Supported Secretary of Agriculture Mike Johanns' appointment of Vienna, GA, cotton producer Chuck Coley to the National Agricultural Research, Extension, Education and Economics Advisory Board; and



A panel of innovative cotton producers discussed production costs during the 2007 Beltwide Cotton Production Conference.

Under the guidance of Beltwide Cotton Conferences Steering Committee Chairman Bill Lovelady, worked to improve that forum. NCC staff conducted an assessment/suggestion survey, streamlined the 2007 BWCC registration process and expanded the Confex podium system to make more of the forum's presentations available online ahead of the proceedings.

## Cotton Council International

*Major activities carried out during 2006.*

In its 50<sup>th</sup> year of promoting exports of U.S. cotton fiber and products, Cotton Council International (CCI) once again took substantial action that yielded outstanding results. CCI continued to play a key role in expanding foreign demand for U.S. cotton, while pausing to reflect on its history. Industry and government leaders came together to celebrate CCI's 50th anniversary in Washington, DC. The anniversary also was commemorated overseas in Beijing.

Throughout 2006, CCI capitalized on its promotional events, such as Buying Tours and Special Trade Missions. To further advance CCI's COTTON USA program, exciting new events were added to the calendar, including the China Cotton School, the Japanese Fiber Education Tour and the Risk Management Seminars in Southeast Asia. CCI extended its global network by

establishing an office in Shanghai, as China continues to be U.S. cotton's number one export destination.

CCI maximized investment dollars in its COTTON USA activities. Coupled with its U.S. industry partners and its 413 licensees overseas, CCI garnered a 5-to-1 leverage of industry funds against public funds and the equivalent of nearly \$130 million in third party contributions overseas in 2006.

Operating in 50 markets worldwide, CCI intensified its promotion of U.S. cotton's quality, reliability and service to help the industry remain competitive.

*"Times have changed, and exports have only gotten more important -- and our support for export market development has become vital." ... 2006 CCI President David Burns*

#### *U.S. Cotton Fiber/Product Promotions*

The 2006 Sourcing USA Summit in Scottsdale, AZ, showcased American cotton before 170 buyers representing 28 countries. Data collected by the NCC on 72 percent of those buyers revealed that group's total cotton consumption to be about 18.4 million bales. The COTTON USA Special Trade Mission from Turkey, the second largest export market for U.S. cotton, gave overseas customers a firsthand look at the U.S. supply system. Executives representing 12 Turkish textile mills participated in this Cotton Belt tour.

The COTTON USA Executive Delegation to South and Southeast Asia traveled to Thailand, Bangladesh and India to meet with top cotton buyers, to champion U.S. cotton's advantages and to help secure the future of U.S. cotton sales.

With help from the American Cotton Shippers Association and AMCOT, CCI's China Cotton Schools helped representatives from 145 cotton importing companies get a better grasp of the international cotton market's complexities.



CCI-sponsored a U.S. Cotton Belt tour for Turkish textile mill executives that included a visit to the USDA Agricultural Marketing Service's cotton classing office in Bartlett, TN.

CCI collaborated with the New York Board of Trade in holding cotton risk management seminars in Indonesia and Thailand. Nearly 200 cotton buyers and their suppliers were presented with new ways to manage the risks of cotton price instability.

Nine top retailers and trading companies from Japan, with a combined annual turnover of \$300 billion, met with U.S. cotton industry leaders during the CCI-sponsored Fiber Education Tour. After the tour, 90 percent of the participants said they intended to increase their purchases of U.S. cotton-rich apparel products in the next two years.

CCI's COTTON USA Sourcing Program maintained robust support for U.S. cotton yarn and fabric manufacturers targeting at Mexico, the Andean region and Central America.

Following the COTTON USA Trade Fair in the Dominican Republic, survey respondents from the Central America/Caribbean and Andean region said they planned to increase their sales of U.S. cotton products by \$4.6 million.

Six U.S. textile mills traveled to Korea to meet with senior Korean apparel manufacturing executives who have operations in the Central America and Caribbean region. After the visit and related trade fair, each Korean company expressed plans to increase its share of U.S.-manufactured yarn in its Caribbean region operations.

The benefits of U.S. cotton and its products and business opportunities were promoted at Colombiatex, Colombia's most prominent international textile trade show. The COTTON USA Sourcing Program booth at the 9<sup>th</sup> annual Peru Moda trade show in Lima show allowed Peruvian and U.S. companies to take advantage of business opportunities. Three different groups of U.S. mills toured 30 Peruvian companies.

The COTTON USA Sourcing Program was showcased at the Apparel Sourcing Show in Guatemala City, and media interviews enabled CCI's message to reach an estimated 500,000 consumers in the region.

### *Supply Chain Marketing*

CCI continued developing innovative ways to match buyers and suppliers. Through its Supply Chain Marketing (SCM) program launched a few years ago, CCI's partners have confirmed orders valued at more than \$8.7 million, representing an estimated minimum of three million square meters of fabric and more than 1 million finished units of cotton apparel and home textiles.

COTTON USA Buying Tours are the most popular SCM activity. In 2006, 11 retailers and brands representing \$1 billion in annual sales traveled to Istanbul for the COTTON USA Fabric and Apparel Buyers Tour to Turkey. CCI also led six representatives from major European apparel and home textile brands and retailers to Pakistan to meet with suppliers of U.S. cotton-rich products.

Trade shows also offer an important platform for CCI's Supply Chain Marketing efforts.

At the Heimtextil trade show in Frankfurt, Germany, international buyers used the SCM services to meet new suppliers of U.S. cotton-rich products. COTTON USA licensees expect more than \$5 million in sales as a result of participating in this show.

The “Come Home to Cotton” pavilion at Intertextile Shanghai connected COTTON USA suppliers with buyers from major consumer markets. CCI and Cotton Incorporated organized a session to give Japanese retailers more sourcing options for products containing U.S. cotton but manufactured in China.

CCI, Cotton Incorporated and Supima collaborated on the COTTON USA booth at Texworld to offer visitors expertise about the full spectrum of U.S. cotton and cotton products. As a result, CCI made new contacts for its Supply Chain Marketing effort and signed three new Turkish COTTON USA Mark licensees.

### *COTTON USA Mark Licensing/Promotion*

In addition to streamlining the sourcing and selling process for companies throughout the global cotton supply chain, CCI rewards its customers with a global licensing and promotion program. The program helps to sell their U.S. cotton-rich products at the consumer retail level.

The COTTON USA Mark was created to identify and raise awareness of the premiere qualities of U.S. cotton products. The COTTON USA Mark helps consumers make informed choices based on the fiber content of a product.

Through COTTON USA licensing, which is bolstered by the Mark, CCI has developed strategic alliances with hundreds of quality users of U.S. cotton fiber in more than 50 countries worldwide.

For example, CCI Korea’s promotions yielded a return-on-investment ratio of 50 to 1 for its “COTTON USA Pink in Love” promotion. Sales of COTTON USA Mark-labeled apparel totaled \$4.2 million dollars, a year-on-year sales increase of 34 percent. Other promotions in Germany, Japan and Thailand were equally successful as was the 10<sup>th</sup> annual Cotton Days in Japan, Korea, Taiwan, Hong Kong and China.



CCI President David Burns, a North Carolina producer, highlighted the importance of U.S. cotton at Cotton Day Japan, an annual COTTON USA Mark-branded consumer event.

CCI and Cotton Incorporated teamed up in China in a major new effort to stimulate generic demand among the world's most rapidly evolving consumers. Held under the theme of "Cotton – Beyond Your Imagination" and targeting major urban areas in China, the event received strong consumer interest, helping to combat the threat from synthetics.

### *Support*

Increased funding from U.S. industry sponsors and matching public investment will ensure that CCI begins its second half century on solid footing. CCI received 2006 support from: the National Cotton Council; Cotton Incorporated; the American Cotton Shippers Association; the American Cotton Marketing Cooperatives; the New York Board of Trade; Supima; Southern Cotton Growers, Inc.; Plains Cotton Growers, Inc.; the San Joaquin Valley Quality Cotton Growers Association; the National Cottonseed Products Association; Monsanto - through the Cotton Foundation; USDA; U.S. cotton yarn and textile manufacturers; and COTTON USA Mark licensees throughout the world.

## **The Cotton Foundation**

### *Major activities carried out during 2006.*

The Cotton Foundation continued its successful efforts in helping the National Cotton Council carry out its mission of providing U.S. cotton industry members an advantage in the world marketplace.

U.S. cotton's agribusiness allies contributed \$370,252 through Foundation membership dues. That support has helped facilitate 26 general research and education projects for 2006-07 – endeavors on which U.S. cotton is enjoying a healthy return. This includes ongoing work ranging from air quality and emissions studies to research aimed at improving cotton quality and cotton processing. New general projects cover efforts ranging from managing glyphosate-resistant Palmer amaranth to support of a U.S. cotton leadership orientation in China.

*"NCC staff estimates that taking into account cash and in-kind services, the Foundation's general projects enjoy a return of about \$3 for every dollar devoted to these projects." ...*  
**Cotton Foundation Chairman Craig Shook**

The Foundation's special projects, funded by grants given in addition to member dues, are contributing to the industry's health in such unique ways as developing future industry leaders to increasing awareness about nematode damage/control.

As a need arises, Foundation members are eager to offer their support for these special endeavors.

That was evidenced by the multiple-sponsor support of the Internet-accessible weed resistance learning module created in 2006. The course's overall aim is providing producers a resource on how to prevent the occurrence of herbicide-resistant weeds. Practical guidelines are offered such as preventing weeds from setting seed during harvest.



Farmers from the Midwest and Far West got a firsthand look at Southern agriculture, including cotton production/processing, during the inaugural tour of the Multi-Commodity Education Program in North Carolina.

Another new special project launched was the Multi-Commodity Education Program. Far West and Midwest row crop producers visited cotton and other farming operations in North Carolina as part of the exchange program with Sunbelt producers. The objectives are to provide current and emerging producer leaders with: 1) a better understanding of production issues/concerns faced by their peers in another geographic region; and 2) first hand observation of the agronomic practices, technology utilization, cropping patterns, marketing plans and operational structure in that region.

In addition, individual Foundation member firms continue to support key NCC communications vehicles, including the [Cotton's Week](#) newsletter, [AgDay Cotton's Week](#) and the [Cotton eNews](#) electronic newsletter.

*Under a new China Leadership Exchange Program, NCC Chairman Allen Helms led a 10-member U.S. cotton industry leadership delegation to China in October. This general project, established by the NCC along with the China Cotton Association (CCA), marked the first time the NCC had sent a high-level industry delegation for an exchange across China.*

*The delegation also included NCC Vice Chairman John Pucheu, Tranquillity, CA, producer; American Cotton Producers Chairman Jay Hardwick, Newellton, LA, producer; Jimmy Dodson, Robstown, TX producer; Don Cameron, Helm, CA, producer; Mike Tate, Huntsville, AL, producer; Ron Craft, Plains, TX, producer and ginner; Shane Stephens, Greenwood, MS, warehouseman; Tom Stallings, Funston, GA, ginner and*



*warehouseman; and John Mitchell, Cordova, TN, merchant. The delegation was accompanied by NCC Vice President Fred Johnson.*

*The program's objective was to familiarize the delegation with the Chinese market demands and their views on pertinent issues affecting this relationship. The group learned about China's policy on cotton production, standards and import policy, as well as factors affecting U.S. cotton's competitiveness in the vast Chinese market. They also visited major ports, warehouse facilities and cotton growing regions in western China and toured several textile mills.*

*In addition, the NCC and CCA reached a joint agreement on the promotion of cooperation between the countries' cotton industries. The delegation's tour came just prior to the two organizations' signing of a Memorandum of Understanding in Memphis that further underscored a spirit of cooperation and good will. Both NCC and CCA hope to have further industry leadership exchanges and dialogue on issues that may arise in cotton and textile trade between the two countries.*

## **Video Staff Report**

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