

National Cotton Council

# REPORT TO MEMBERS 1999

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## **The Council's Mission – A Tradition of Solutions**

The National Cotton Council of America's mission is to ensure the ability of all U.S. cotton industry segments to compete effectively and profitably in the raw cotton, oilseed and U.S.-manufactured product markets at home and abroad.

For 60 years, the Council has been the central forum for consensus-building among these segments — producers, ginner, warehouse, merchant, cottonseed crusher, cooperatives and textile manufacturers — and has been the unifying force in working with the government to ensure that Cotton's interests are considered.

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

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

This report describes major activities carried out in 1998 in support of those resolutions, which were adopted in February 1998. Included are activities of the Council's export promotions arm, Cotton Council International, and of The Cotton Foundation.

## President's Message

High world stocks of raw cotton, a serious financial crisis in Asia and weak overall demand set the stage for the low prices faced by U.S. cotton producers and textile manufacturers throughout most of 1998. Adding insult to injury, the U.S. crop faced some of the worst weather conditions in recent memory, which led not only to a very short harvest, but significant quality losses as well. The small crop spread the industry's economic woes across all segments.

Not only did economic difficulties in Asia hurt our exports, they also led to a record quantity of cheap textile imports, equivalent to 13 million bales. Despite consistently falling prices, the spread between the price of U.S. cotton and competing foreign growths grew, causing rapid depletion of funds for Step 2 marketing certificates. This combination of circumstances provided the Council with one of its sternest challenges in its 60-year history.

Council leaders attacked these problems on a broad front, knowing that restoration of economic health depended both on significant short-term relief and other measures to widen the spread between costs and selling prices over the longer term.

Our efforts brought impressive results. The Council made headway in its goal to reduce costs, launched short-term export efforts that maintained many of our foreign markets despite the Asian crisis, pushed long-term strategies designed to enhance demand and helped ensure the passage of economic assistance legislation that will pump about \$6 billion into the struggling farm economy.

Beginning with negotiations on the agriculture appropriations bill in the spring, and ending with passage of the Omnibus Spending Bill in October, the Council first worked to convince Congress of the economic plight of farmers, then helped shape legislation that would partially offset weather and price losses. The Council was one of the first commodity organizations to take the message to Congress that the agricultural community needed both disaster and market loss assistance. It is no coincidence that a number of benefits in that Omnibus Spending Bill were favorable to Sun Belt agriculture.

The bill also should help producer margins by reducing the tax burden carried by farmers. The package made income averaging permanent, allowed operators to carry back net operating losses for five years and accelerated the schedule of deductibility for health insurance premiums.

When the full impact of the financial meltdown in Asia became apparent, the Council was among the first organizations to recognize the critical importance of using the export credit guarantee program to maintain the ability of our customers to buy our product. Early announcements of significant credit guarantee allocations to Korea and other important markets and Cotton Council International's export promotion presence helped sustain a decent level of raw cotton exports and forced our competitors to scramble to catch up.

The Council worked on many fronts this past year to help the industry achieve cost reductions — from pushing for development of new technology, particularly biotechnology, to seeking greater federal support for the National Boll Weevil Eradication Program. I was personally proud to see the eradication program moving forward in my home state, Louisiana, as well as in Mississippi, Tennessee, Arkansas, Oklahoma, Texas and New Mexico.



*Jack S. Hamilton, President  
National Cotton Council of America*

The Council continued its dialogue with input suppliers, stressing to senior agri-supplier executives in a series of meetings that producers can't invest more in technology unless it helps to enhance profitability. Obviously, the companies that depend on cotton production to sell equipment, crop protection chemicals and new technology have a vested interest in the generation of satisfactory profits on cotton farms. Responding to our discussions, many of these suppliers will participate with the Council in a joint strategic planning session in 1999 that is aimed at boosting industry viability.

The Council's search for demand-building opportunities included constant efforts to open new foreign markets. Our efforts to secure new fast-track negotiating authority were frustrated by Washington politics, and passage of a Caribbean Basin parity bill was side-tracked by new legislation that would have opened the sub-Saharan African region as a sizable transshipment point for Asian textile manufacturers.

As Council President, I learned first-hand this year about the victories that do not make front-page headlines. One only has to imagine the impact on our industry if the Council had not worked to rebut

efforts to ban cotton sleepwear garments, had not been able to get cotton declassified as a hazardous material in international shipping rules, had not led efforts to improve the availability of labor and had not sidetracked new, burdensome clean air rules.

The economic assistance in the Omnibus Spending Bill provided a needed infusion of funds to producers, but did not begin to solve the fundamental imbalance between excessive world supplies of raw cotton and a short U.S. crop. As 1998 drew to a close, the expected depletion of Step 2 funding became reality without industry consensus on how to deal with the problem.

During late 1998 and into January 1999, Council staff reviewed program options with industry leaders, including a special committee charged with studying alternatives and providing farm program guidance to Council delegates convening for the 1999 Annual Meeting. On the eve of the Annual Meeting, there was a sense of optimism that consensus could be reached, thereby allowing all segments of the industry to work as one through the Council on this important dimension of an overall action plan for improved profitability.

I believe farming has changed more in the past few years than in all of the 44 years I've been farming, but I see opportunity ahead. This fact and a business climate like we endured in 1998 have convinced me that the Council will become an even more valuable mechanism for guiding the industry through the inevitable changes ahead and helping us to convert opportunity into reality.

I have no doubt that the Council is the organization that can provide both visionary leadership and serve as the mechanism for developing mutually beneficial policy. The Council is the organization that can best help all industry segments cope with difficult economic times and move forward during stronger economic cycles.

The National Cotton Council was created for that very role six decades ago and has performed admirably since. A strong Council is more important than ever before. I challenge our membership to support the Council as it relentlessly seeks the consensus necessary to manage these crucial issues in 1999 and beyond.

A handwritten signature in blue ink, appearing to read "Jack S. Hamilton".

*Jack S. Hamilton, President  
National Cotton Council of America*



## Statement from the Executive Vice President

The 1998 crop year was fraught with production and economic difficulties. The National Cotton Council is focused on achieving the right policies in 1999 that can help this industry cope with the difficult economic times facing production agriculture and downstream manufacturing. The up-cycle is coming, but we must focus on what it will take to ensure the U.S. cotton industry survives in the meantime.

As the Council works with Congress and the cotton industry to determine what will be needed to overcome the economic hurdles our industry faces and what is possible to achieve, we will not lose sight of the value and wisdom of a united front. Sellers need buyers, and buyers need sellers, and healthy processors and handlers are essential to a strong industry. The Council always has worked for policy that enhances the economic health of all.

The Council is focused short-term, especially on finding solutions to the difficult economic times facing production agriculture. However, the Council's primary focus for restoring profitability remains long-term and centered on the strategy of: 1) influencing legislative, regulatory and trade policy; 2) reducing costs through research, risk management and information technology and 3) improving global competitiveness by building demand and market share through marketing and promotion.

The poor weather conditions of 1998 and the inability of crop insurance to adequately protect producers provide the Council with an opportunity to call for reform of this program. The Council has repeatedly and forcefully demonstrated the inequities associated with crop insurance for cotton producers. We will step up our work in the coming months.

As evidenced throughout 1998, the market promotion and development activities of Cotton Council International (CCI) are crucial to counter several negative market trends and for maintaining U.S. cotton's international leadership. Last year's "Sourcing USA Global Textile Summit," co-sponsored by CCI and Cotton Incorporated, helped U.S. textile manufacturers develop important global partnerships critical to their future export success. CCI already is planning a similar summit for raw cotton in 1999 and will continue to employ more than \$9 million in federal Market Access Program funding for its programs, the largest appropriation of 64 organizations sharing the \$90 million in international export promotion funds.

Regional trading opportunities continue to offer the best hedge against low-cost Asian textile imports. A favorable Caribbean Basin parity bill that will encourage the use of U.S. cotton and cotton textile products remains an industry priority – one that demands our industry take bold action now to counter a steadily deteriorating textile balance of trade.

Although we won some regulatory battles last year, we have much more work to do in 1999. Our emphasis on implementation of the Food Quality Protection Act will not waver, nor will our commitment across a broad spectrum of regulatory issues that affect our members' overhead costs, liability, access to labor and even the ability to raise a crop.

As the Council works to provide the right policy framework conducive to a profitable sector, we will continue to increase our communication efforts, both to Council membership and the public at large. Specific examples include the issuance of Worker Protection Standard newsletters and data useful in managing risk, including the addition of EconCentral and Weather Central on the Council's World Wide Web site. A new Cotton Foundation program will provide new producer leaders a thorough orientation into the Council and its policymaking and implementation process. New Council system software promises to improve communications between industry members and Capitol Hill and improve our ability to track issues and legislation.

I share Jack's optimism that the National Cotton Council is more than up to the task. The tradition of solutions we celebrate at our 60th anniversary meeting has been earned by dedication, persistence and a commitment to consensus. Those qualities are abundant throughout the leadership of this organization. I look forward to working with our leaders to convert opportunity into reality.



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

A handwritten signature in blue ink, appearing to read "Phillip C. Burnett".

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

## Farm Program and Economic Policy Committee

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

### Farm Policy

The U.S. cotton industry began 1998 still adjusting to 1996 farm law, and anticipated lower prices for cotton affected plantings. The Council's focus on farm policy heightened as economic conditions worsened and problems with the new farm law began to surface. The Council redoubled its efforts to find ways to shore up producer income in the face of weather-related and economic losses.

One of those steps was participation in USDA's "Improving the Farm Safety Net" working group. The group focused on improving crop insurance as a delivery vehicle for risk management and disaster relief. Council staff emphasized the inability of the current program to provide cotton farmers with adequate coverage at reasonable rates, continuing inequities in cotton crop insurance relative to other major commodities and the unresponsiveness of USDA's Risk Management Agency to cotton producer concerns.

Comments were offered on the Federal Crop Insurance Corporation (FCIC) proposed changes in cotton insurance provisions, including a lowering of the quality loss deductible trigger and prevented planting and replant provisions that would not result in higher premiums. FCIC's amended provisions called for a prevented planting coverage at a level of 50 percent and no replant coverage. FCIC did maintain the current quality adjustment provision citing the Council's concern that the proposed amendment offered no tangible benefit to cotton producers.

Council staff continued to work with FCIC to examine alternative quality adjustment procedures that will prove more effective for producers. Staff earlier had conducted a fact-finding session with crop insurance industry representatives, consultants and the FCIC to gain perspectives on the current cotton product and how it could be improved. The process was useful in positioning the Council for crop insurance reform debate and anticipated congressional action in 1999.

First actions directly addressing production difficulties came when the Emergency Farm Financial Relief Act authorized USDA to make FY99 Agriculture Marketing Transition Act payments available to eligible operators and owners beginning October 1. Also USDA announced policy provisions providing marketing assistance loans or loan deficiency payments for below-grade production.

The Council, along with other agricultural organizations, was persistent in urging Congress' timely approval of an off-budget disaster relief package. Communication on Capitol Hill was bolstered by Council leadership, including producer delegations from Texas and the Southeast working through the American Cotton Producers.

The result -- Congress announced a \$5.9 billion disaster relief package that provided badly needed relief from economic stress and weather-related disasters and included payments for either 1998 losses or multi-year crop losses. The Council was successful in seeing that cotton farmers and others in the Sun Belt received the bulk of the funds and maintained an intense dialogue with USDA to ensure those funds were delivered through the Farm Service Agency and not the crop insurance industry. Late in 1998 USDA was considering a Council proposal to adjust for quality losses based on a base-line quality for each classing office region.

The legislation also included several important tax relief provisions for farmers, including accelerated health insurance deductibility schedules and expensing allowance, permanent income averaging, estate tax credit of \$1 million and carry-back of losses for up to five years.

The Council examined the effectiveness of cotton's three-step competitiveness program. Council directors adopted a resolution calling for additional funding for Step 2 marketing certificates after it became apparent that Step 2 funds would be exhausted early in 1999. Congress had not acted on the request by late in the year.

The Council also asked the Department of Agriculture to make marketing certificates available to merchants and manufacturers under Step 2 as

a way to encourage loan redemptions, discourage loan forfeitures and otherwise make U.S. cotton more competitive in domestic and export markets. The request was pressed by President Hamilton, who requested a meeting with Secretary of Agriculture Dan Glickman to emphasize that marketing certificates could alleviate a problem caused by some producers having unexpectedly reached their limitation on marketing loan gains.

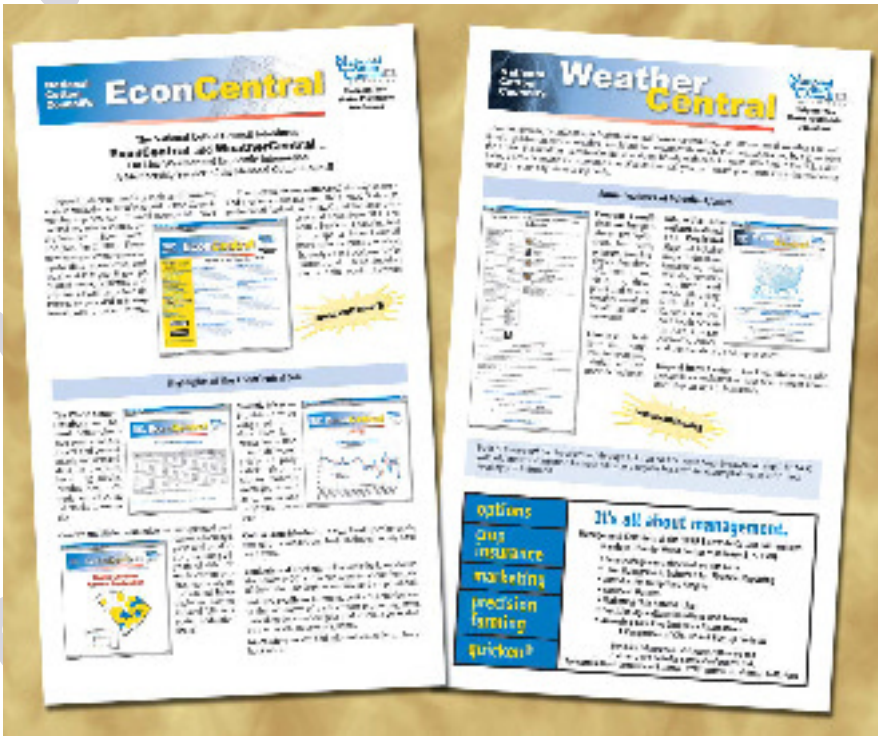
Council leadership explored ways that would enable the Secretary to use his discretion to implement Step 1, but industry consensus was never reached.



*Council Board Chairman Bill Lovelady, second from left, makes a point during a special industry leadership meeting to evaluate farm program options. Among others at the meeting were from left: Council President Jack Hamilton, Arizona producer Ron Rayner and California cooperative official Tom Smith.*

## Risk Management

When it became apparent that Step 2 funding would vanish by early 1999, the Council began urging industry members to make price risk management a priority. Members were encouraged to become more focused on the broad array of available marketing alternatives and determine which tools would be appropriate for their operations.



*EconCentral and Weather Central were added to the Council's World Wide Web site as an assist in crop management.*

The Council continued to upgrade its Cotton Risk Management Network and began making a significant amount of economic analyses, outlooks and news and timely weather data available on its new EconCentral and Weather Central at the Council's Web site, [www.cotton.org](http://www.cotton.org). A market report was mailed to industry members each week.

The Council also arranged seminars such as "pricing cotton with options" at the 1999 Beltwide Cotton Conferences to help conferees improve their understanding of risk management tools. USDA also was encouraged to provide better risk management tools.

Other key developments involving farm programs and economic policy included:

- ✓ Council leadership meetings with senior management of cotton's major input suppliers to emphasize the thin margins confronting U.S. cotton producers. As a result, a joint industry-supplier strategic initiative was undertaken in 1999 to identify ways for reducing costs and improving industry profitability.
- ✓ Senate passage of a new farm worker program designed to ease agricultural employers' access to temporary foreign farm labor.



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Wayne Mixon (Ginner), Seminole, TX  
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Donna B. Winters (Producer), Lake Providence, LA



# International Trade Policy Committee

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

As the Asian financial crisis widened and synthetic fiber production increased in 1998, demand for U.S. raw cotton exports was dampened. Simultaneously, foreign currency devaluation caused Asian-produced cotton textile imports to reach record levels. Throughout 1998, agricultural leaders in Congress pushed a trade policy agenda they considered necessary for the successful implementation of the FAIR Act of 1996.

The Council joined with other commodity and general agricultural organizations in supporting this so-called "square deal" for agriculture – fast-track negotiating authority, expanded use of export assistance authorities and increased funding for the International Monetary Fund (IMF). Congress also worked to exempt agricultural exports from trade sanctions imposed for foreign policy reasons.

In addition to these joint efforts, the Council actively pursued a trade policy agenda tailored to the needs and concerns of the cotton industry.

## Caribbean Basin Parity

Council efforts to secure passage of Caribbean Basin parity (CBI), legislation continued throughout 1998. CBI parity legislation will help U.S. textile firms produce a product that is more competitive in price with textile articles being imported from Asian countries by granting Caribbean countries temporary preferential trading arrangements for textiles, similar to NAFTA.

Although CBI parity is generally accepted as beneficial by all sectors of the U.S. cotton, textile, apparel and clothing retail industries, it has proven to be very difficult to get all of these interests to agree on a specific approach to the issue. Legislation developed by the end of the year required the use of "U.S. formed yarn" to receive trade benefits – a requirement which should place even more emphasis on the use of U.S. cotton. The CBI parity bill was ultimately combined with the controversial sub-Saharan Africa trade bill, and was not enacted during 1998.

## Preferential Treatment for Sub-Saharan Africa

The Council worked closely with the American Textile Manufacturer's Institute (ATMI) to defeat legislation that could have opened up the U.S. to transshipped textile products. Although well-intentioned, the sub-Saharan Africa Trade Bill, which would have provided preferential trade treatment for textiles from sub-Saharan Africa, contained no safeguards to prevent transshipment of textile goods from Asia through the Africa countries the bill was supposedly designed to help.

When the House of Representatives refused to amend the bill to include U.S. content requirements and safeguard provisions, the Council worked with ATMI to defeat the legislation. This coordinated effort likely saved thousands of U.S. textile jobs from unfairly traded textile imports.

## Fast-Track Negotiating Authority

Fast-track negotiating authority was pushed as the Council countered misinformation generated by environmental and labor groups.

After the House defeated legislation that would have granted the President fast-track authority, House Ways and Means Committee Chairman Bill Archer (R-TX) urged the White House to work with Congress so another vote could be scheduled in early 1999 to avoid becoming embroiled in Presidential election politics.

## IMF Funding

The Council joined other agricultural organizations in supporting increased funding for the International Monetary Fund (IMF). IMF assistance during the Asian financial crisis enabled Asian countries to continue purchasing U.S. agricultural commodities.

In the Omnibus Appropriations Act passed at the end of 1998, Congress provided increased funding, but also expressed general concern about IMF policies and enacted several provisions designed to force the IMF to reform its monetary and fiscal policies. The additional funding should enable IMF to continue to respond to the Asian financial crisis should it worsen.

## Unfair Trade Practices

The Council was just as aggressive in battling unfair trade practices.

The announcement of a subsidized export sale of Chinese cotton, along with import restrictions on raw cotton drew a sharp response from the Council. The Council expressed to the U.S. Trade Representative's Office that China's cotton and textile policies were not in accord with world trading rules.

China's actions were inconsistent with its efforts to join the World Trade Organization. The accession talks stalled during 1998, and China also began to reduce somewhat the high internal raw cotton prices it previously offered to its growers. However, China remains the central player in international cotton markets.



*Ron Rayner, far right, an Arizona producer and Cotton Council International (CCI) Director, headed up a CCI executive delegation to Bangladesh and Turkey, a country whose duties and tariffs on raw cotton imports were challenged by the Council and USDA.*



Efforts by Brazil and Turkey to limit cotton imports were immediately challenged by the Council through USDA. USDA representatives negotiated with the offending countries and most of the questionable policies were changed.

As the year ended, the Council had drafted a section 301 petition against cotton yarn imports from Pakistan and was conferring with ATMI and the U.S. Trade Representative about Pakistani trade practices.

### Environmental and Other Multilateral Issues

International treaties covering greenhouse gasses and rules concerning trade in genetically modified organisms are potential sources of new regulatory burdens and trade restrictions, which could hurt U.S. competitiveness.

The Council is monitoring international environmental treaties, such as biological diversity, and continues to discuss the impact of these issues with USDA.

Throughout 1998, the Council worked with agricultural companies and employed a consultant in a diligent effort to improve the acceptability of biotech products worldwide.

Council activities to increase international trade will continue in 1999 as new talks under the World Trade Organization begin and the U.S. moves ahead with a possible free trade arrangement with countries in South America.



*Harmon H. "Hob" Ramey, Jr., far right, USDA Agricultural Marketing Service cotton program, discusses classing procedures with Peruvian customs officials. The CCI-hosted tour led to the removal of restrictive requirements on some styles of U.S. cotton exports to Peru.*



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Gerald C. Marshall (Merchant), Memphis, TN  
Joseph Mitchell (Merchant), Memphis, TN  
Yoshio Otomo (Crusher), Chandler, AZ  
Thomas A. Parker (Producer), Lake Providence, LA  
W. Coalter Paxton, Jr. (Warehouse), Wilson, NC  
Mike Quinn (Cooperative), Raleigh, NC  
James E. Ratcliff (Crusher), Port Gibson, MS  
Ronald C. Stanz (Ginner), Yuma, AZ  
E. Ramey Stiles, Jr. (Producer), West Helena, AR  
Stephen J. Straussner (Cooperative), Coolidge, AZ  
Mike P. Sturdivant, Jr. (Producer), Glendora, MS  
George O. Tanner (Warehouse), Frogmore, LA  
K. Michael Tate (Producer), Huntsville, AL  
Tom Teixeira (Producer), Dos Palos, CA  
William C. Tharp (Merchant), Las Cruces, NM  
Archie T. Thompson, Jr. (Cooperative), Whitakers, NC  
J. W. Thompson (Ginner), Rector, AR  
Bobby Todd (Ginner), Tallulah, LA  
Craig T. Ulrici (Ginner), Mendota, CA  
Ross G. Via (Producer), Bells, TN  
Robert R. Waters, Jr. (Ginner), Scotland Neck, NC  
Mark D. Williams (Producer), Farwell, TX  
David R. Winters (Crusher), Richmond, TX

# Public Relations and International Market Development Committee

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

## Public Attitudes

Concerns with thin margins at the farm and Council efforts to restore industry profitability were communicated to lawmakers and other public opinion leaders through news releases, AgDay television reports and the Council's national radio hotlines. The releases, which focused on topics ranging from Congress' proposal on cutting Step 2 funding to Vice President Gore's Clean Water initiative, were distributed via the internet to major business wire services and other consumer news media and to the cotton trade press.

The Council facilitated discussion on one significant profitability concern – the consolidation of cottonseed providers. Council staff underscored the serious cost/price squeeze confronting cotton producers in a meeting with Monsanto and Delta & Pine Land Company executives that was attended by trade media.

Among other efforts at shaping public opinion were: 1) former Council President Jimmy Sanford's distribution of an editorial column to Alabama newspapers lauding the benefits of boll weevil eradication, 2) news releases and other information supplied to Cotton Council International staff and consultants to combat negative marketing practices questioning the safety of conventional U.S. cotton production, and 3) communication in support of the Consumer Product Safety Commission (CPSC) amendment giving parents a safe alternative in children's cotton sleepwear. That included a news release, an opposing editorial to a Texas daily newspaper which attacked the amendment and an opinion piece by Council Health, Safety & Environmental Quality Chairman Roy Baxley which appeared online in a major business news wire.

Five editorial board meetings with Georgia newspapers brought attention to the support the cotton and textile industries receive from the state's 2nd District Congressional representative, Sanford Bishop. Coverage was given to Rep. Bishop's work in several areas ranging from taxes, an Ag Guest Worker Pilot Program and the Africa Trade Bill.

Cotton's voice on the dire U.S. agricultural economic situation was amplified through the Council's participation in the National Association of Farm Broadcasters (NAFB) annual "Trade Talk" session. More than 30 interviews were granted to farm broadcasters, many outside the Cotton Belt.

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

In the face of the continued onslaught of textile imports, National Cotton Women's Committee (NCWC) members used various creative means in their campaign to promote U.S. cotton merchandise and encourage consumer purchases. The overall aim is to increase markets for U.S.-produced cotton and cotton products and preserve cotton manufacturing jobs which have been cut in half in the past 25 years.

From fashion shows featuring designer cotton clothing to outdoor billboards and dioramas, the 600-plus NCWC members reminded Americans everywhere to "exercise their label rights" and shop for cotton products made in the U.S. The volunteers also sought to get more U.S. cotton apparel into the marketplace through visits with retailers and manufacturers at the Atlanta and Chicago apparel marts.

## Information Services

The Council again expanded its mechanisms for delivering timely information to members.

At the beginning of 1998, the Council began producing a television version of Cotton's Week in addition to the printed version. The program is aired on Tuesdays in AgDay Television's 170 markets, and no other agriculture organization receives this type of regular exposure. AgDay also produced "All About Cotton," a 30-minute nationally televised special edition focusing on issues of critical interest to the industry.



*Council President Jack Hamilton and former Council President Bruce Brumfield participated in a roundtable discussion of U.S. cotton issues as part of AgDay Television's "All About Cotton" special.*

Utilization of the Council's World Wide Web site increased. Regular postings included Action Alerts, the daily Cotton Update, Cotton's Week, news releases and various newsletters.

Columns and features in various trade and business publications provided more extensive communication to members. Among those were columns by President Jack Hamilton in *California-Arizona Cotton* magazine and the *Delta Business Journal*, Executive Vice President Phil Burnett's "Cotton's Agenda" column in *Cotton Farming* magazine and an article on the "Grown and Made in the U.S.A." campaign in *Delta Farm Press*.

The Data Transmission Network Cotton Report, the Council's Cotton Radio Newsline and its Washington Agenda radio program, which is transmitted to 1,900 radio stations, continued as excellent avenues of disseminating industry news and information on Council activity.

## Promotion Services

The Council assumed a greater role in communicating and promoting Cotton Council International's (CCI) activities. Communication of CCI's market-building

and promotion efforts to lawmakers and opinion leaders was stepped up significantly through dissemination of news releases and articles to the trade and consumer media.

Production of CCI information pieces also was expanded, including the weekly CCI Fax, Fax bulletins, quarterly newsletter, Buyer's Guide, Directory, special videos and other information. A new CD-ROM library of CCI photos was created.

Communication with industry members was enhanced through the Council's coordination with and support of activities of other industry interest groups, among them the American Cotton Producers, the National Cotton Ginners Association, Cotton Incorporated, Cotton Board and numerous regional organizations.

### International Market Development

The development and maintenance of overseas markets for U.S. cotton fiber and manufactured cotton products are critical to the success of the U.S. cotton industry. Thus, the achievement of these goals is at the heart of the Council's international market development initiatives.

The Council continued its efforts to insure a viable coordinated export effort between USDA and the U.S. cotton industry through the Market Access Program (MAP), Foreign Market Development (FMD) program, GSM-102 program and other export promotion initiatives.

A clear example of these efforts is continued funding support for CCI. In 1998, CCI received \$9.6 million in Market Access Program funding for its programs, the largest appropriation of 64 organizations sharing \$90 million in international export promotion funds. CCI programs were supplemented by industry funds provided by the Council, Cotton Incorporated, the American Cotton Shippers Association, the New York Cotton Exchange, the Supima Association and Dow AgroSciences through a Foundation grant. CCI also has been very creative in leveraging its budget, generating the equivalent of \$34 million in partner spending on promotions highlighting U.S. cotton and the COTTON USA trademark.

CCI continued to use its "supply-push/demand-pull" strategy internationally to instill a preference for products containing U.S. cotton at virtually every point along the marketing chain, from the initial mill buyer to the final consumer.

The supply-push component focuses on the initial foreign users of cotton fiber or manufactured cotton products. Some examples of CCI supply-push activity include COTTON USA Special Trade Missions to the U.S., COTTON USA Orientation Tour; COTTON USA Seminars and Conferences; and COTTON USA Executive Delegations. CCI's supply push effort also benefits greatly from the GSM-102 credit guarantee program, the Cochran program and other government/private sector cooperative efforts.

CCI also sponsored a variety of trade servicing activities to specifically benefit the U.S. manufactured cotton product exporters in their efforts to identify and exploit new markets. Examples include: the Retailers and Manufacturers Tours to the U.S., sponsorship of participation in trade fairs, market research, the Sourcing USA Cotton Textile Summit and other specific events to develop relationships with overseas manufacturers and retailers.

The demand-pull element concentrates on stimulating demand among cotton users that are further along the marketing chain - textile manufacturers, retailers and consumers - in order to "pull" additional U.S. cotton through the marketing system. Examples include the COTTON USA Mark licensing and promotion program, which includes consumer advertising and retail.

CCI will continue to rely upon the Public Relations and International Market Development Committee to provide organizational guidance and leadership to further strengthen its international market development programs.



*The Council arranged for American Cotton Producers Chairman Allen Helms to be interviewed by Farm Journal editors Sonja Hillgren and Charles Johnson regarding the economic dilemma cotton producers faced in 1998.*



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## Research and Education Committee

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

### Research

Strong Council support led to the enactment of an Agricultural Research bill that provided \$600 million in new research funding. Of that, \$120 million was promised for competitive agricultural research grants sought by land-grant colleges. Program funding also was increased for the USDA Agricultural Research Service.

Through The Cotton Foundation, the Council was able to generate an additional \$1.75 million in 1998 for cotton research and education. This funding level is vital for accelerating such important work as the aflatoxin elimination study/commercialization program being conducted in Arizona.

The need for additional research and new technology that will reduce production costs and boost production efficiency were discussed in a series of meetings between Council leadership and top executives of Foundation member firms.

The "Focus on Cotton Textile Research" Foundation project identified and set priorities for research needs that, if resolved, would positively impact the use of U.S. cotton. The project report was completed and given to USDA in mid-1998. USDA has been using the results to help redirect its post-harvest cotton research program.

Council staff coordinated with key Extension personnel and Cotton Incorporated in gathering data on the quality and processing aspects of Ultra Narrow Row (UNR) cotton – a system that is demonstrating potential for cost savings and improved fiber quality. The information was shared at a special Council co-sponsored forum in Memphis.

USDA's Agricultural Marketing Service initiated a pilot project whereby HVI color grade measurements were modified to more closely match the Universal Cotton Standards for color.

### Education

In order to expedite the transfer of proven technology and restore profitability, the Council asked more producers than ever to share their experiences at the 1999 Beltwide Cotton Production Conference. Producer panels discussed such timely topics as planting seed technology, ultra narrow row production and precision agriculture. Continued emphasis on hands-on workshops enabled producers to gain more experience with understanding nematodes and fungi, tillage, nutrition and soils, sticky cotton prevention and various computer services and risk management tools.

Timely issues of the Cotton Physiology Today newsletter provided timely insight into internet services and the value of precision agriculture. Back issues of the newsletters also were put on CD-ROM to provide easier topic and author searches. Dr. Anne Wrona, coordinator of the Council's Cotton Physiology Education Program, also gathered 1998 data from the Cotton Belt's leading scientists and Extension specialists for a year-in-review issue.

Promotion of the Cotton Foundation's on-line Journal of Cotton Science was heightened to encourage more cross-discipline cotton research. Dr. Wrona assumed the managing editor role, and the Journal was improved and expanded to include cutting-edge articles from cotton improvement to economics and marketing.



*The 1999 Beltwide Cotton Production Conference featured a record number of producer participants, including four who served on a panel discussing planting seed technology.*

The Council's Sticky Cotton Task Force agreed educational efforts to prevent sticky cotton should be continued in California, Arizona and Texas, and Foundation funds were designated for education and outreach projects in 1998/99. The group also endorsed the work of the Sticky Cotton Action Team and its research projects, particularly those related to reliable measurement.



*The Council's Sticky Cotton Task Force is following research at the Texas Tech International Textile Center and other laboratories which are using high-speed detectors to improve the reliability and utility of the stickiness measurement.*

### Pest Management

New momentum was gained for the National Boll Weevil Eradication Program as it was spurred by a \$16 million appropriation in the FY99 Appropriations Bill. In addition, the bill authorized an increase from \$40 million to \$100 million in Farm Service Agency loans for the program. As a result, the program was expanded in Louisiana, Texas, Mississippi, Tennessee, Oklahoma, Arkansas and New Mexico. Active eradication programs now are in place on 2.3 million acres and in all states except Kansas and Missouri. There is potential for another 4.5 million acres to come into the eradication program in 1999.

The Council worked on many fronts to promote weevil eradication. Co-sponsorship of a hands-on workshop enabled those involved in the eradication program to see demonstrations on the latest handheld Global Positioning Systems, bar code readers, Geographic Information System (GIS) and other software technology for use in mapping, trap data collection, data transmission and quality control.

The Council's Pink Bollworm Action Committee, chaired by Arizona producer Ted Pierce, approved a technical plan for area wide maximum suppression/eradica-

tion of pink bollworm in the U.S. and Northern Mexico. The proposed plan calls for maximum use of Bt cotton, sterile moth release, pheromone application and cultural and chemical controls.

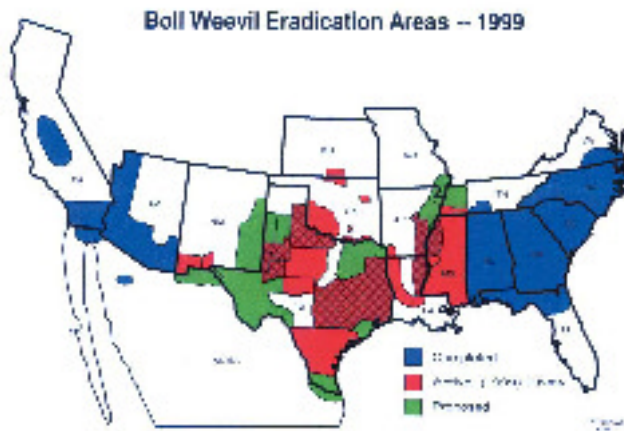
The Council's encouragement of a timely review of new data on bromoxynil by EPA resulted in Buctril being available for use in 1998 and on 10 percent, an increase from three percent, of cotton acreage. Council/EPA dialogue also cleared the way for use of Pirate, Furadan, Confirm, Knack and Applaud and the Council coordinated closely with EPA on a review of the role of each cotton organophosphate to extend those products' marketplace longevity.

The Union of Concerned Scientists and other groups called for a much higher refugia set aside as a way to thwart Bt resistance. The Council worked with supplier firms to obtain facts and evidence supporting current "refugia" requirements. The Foundation worked with the Insecticide Resistance Action Committee (IRAC) to increase awareness among producers and suppliers about resistance and has committed to aggressive action on this concern.

Gaining worldwide acceptance of transgenic cottons and other crops also remained a Council priority. A consultant continues to monitor public opinion in the European Union and is working to ensure any regulations governing transgenic products are based on sound science.

### Contamination

An even greater emphasis was placed on producing bales that are protected during normal handling to reduce lint contamination. To that end, the Council worked to communicate what industry members believe is acceptable regarding bale packaging. The Joint Cotton Industry Bale Packaging Committee updated and distributed the publication, "A Guide for Cotton Bale Standards," which includes a grading system for classifying bale appearances and conditions with the aid of descriptive text and pictures.



*Checking pheromone traps is a crucial element of the National Boll Weevil Eradication Program, which is now in every Cotton Belt state except Missouri and Kansas.*



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## Packaging and Distribution Committee

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

### Packaging

Superior packaging is an important value-added component of U.S. cotton and continues to be one of the reasons it commands a seven-cent premium on the world market.

The Council redoubled its effort at achieving the ultimate goal of packaging the bale with zero contamination. Included in that effort was publication of "A Guide for Cotton Bale Standards." This booklet serves as a communications tool that is used by ginners, warehousemen, buyers and marketers to discuss ideal bale condition and levels of bale protection. The first guide was published in 1982 when packaging materials and textile processes were not as refined as they are today. The aim of this updated guide is to ensure the industry utilizes existing technology and maximizes bale protection.

The Joint Cotton Industry Bale Packaging Committee authorized testing of new bagging and tie types that focus on cost-effective packaging methods.

### Permanent Bale Identification

The Permanent Bale Identification (PBI) system moved toward full implementation with every 1998 bale containing a PBI tag and number. That enabled merchants and manufacturers to use the PBI system in their business transactions and work to discontinue their reliance on warehouse bale numbers. Numbering in the warehouse industry remained unchanged allowing current warehouse receipting practices to continue.



*The Council updated its "A Guide for Cotton Bale Standards" publication to help industry members in their common goal of improving bales and reducing lint contamination.*

### Cotton Flow

The Council filed comments generally in support of USDA's proposal to move forward with a uniform national cotton standard under the U.S. Warehouse Act. However, the Council opposed the regulatory approach that included substantial federal involvement in enforcement or imposition of new user fees.

Instead, the Council supported an approach that would make adherence to the flow standard a condition of eligibility to enter into a Cotton Storage Agreement with the Commodity Credit Corporation. Council comments also asked that USDA should not dictate terms of the dispute-settlement process, but should reference the arbitration process agreed upon by the U.S. cotton industry.



*The Permanent Bale Identification (PBI) system moved toward full implementation with every 1998 bale containing a PBI tag and number.*





## Hazardous Cargo

The International Maritime Organization (IMO) amended their dangerous goods code in February 1998 to remove baled cotton (compressed to a density of about 24 lbs/ft<sup>3</sup> or greater) from being classed as a flammable solid. This was to be effective January 1, 1999. This decision was based largely on information prepared by the Council and studies funded by The Cotton Foundation.

In response to a Council request, the U.S. Department of Transportation (DOT) granted interim approval and issued a guidance to allow transport without the former requirements, if a copy of an exemption letter accompanied each shipment until January 1, 1999. DOT also removed baled cotton as a hazardous substance for domestic vessel shipment effective January 1, 1999.

## Computer/Electronic Technology

Improvements to the Council's World Wide Web site: [www.cotton.org](http://www.cotton.org) enabled the Council to increase the amount of Web-posted educational material from nematode surveys to a Worker Protection Standards guide.

The site also makes it possible to carry out such Cotton Foundation projects as the on-line Journal of Cotton

Science and the Cotton Risk Management Network. The addition of EconCentral and WeatherCentral offered browsers a wide range of economic data and statistics and timely weather conditions and forecasts. The entire 1998 and 1999 Beltwide Cotton Conferences program and meeting information also was posted.

Additional links were added to other cotton interest organizations and to Cotton Foundation members' sites for special research and education projects.

The 1998 and 1999 Beltwide Cotton

Conferences provided the Council with a unique opportunity to expose industry members to computers and the World Wide Web at the "Internet Access to Cotton Classics" session. Advanced computer users were introduced to various computer technologies, including Internet Services and various software packages such as Quicken farm management.



*Larkin Martin, a Courtland, AL, producer, explores various databases on the World Wide Web during one of the Council's "Internet Services" sessions at the 1999 Beltwide Cotton Conferences.*



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George R. Wheeler (Manufacturer), Eden, NC

# Health, Safety and Environmental Quality Committee

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

Numerous regulatory proposals have the potential to threaten U.S. cotton's viability. Some of these would remove certain plant protection and harvest aid products from the marketplace. The National Cotton Council's Environmental Task Force actively communicated industry concerns on a number of these proposals, including those associated with implementation of the Food Quality Protection Act.

## Food Quality Protection Act (FQPA)



*Bill Lovelady provided key input to EPA about crop protection product tolerances while serving on the Tolerance Reassessment Advisory Committee.*

The Council worked closely with other commodity groups and the Environmental Protection Agency on implementation of the FQPA - with the aim of keeping valuable plant protection products available. Board Chairman Bill Lovelady served on the Tolerance Reassessment Advisory Committee (TRAC). This advisory panel, which was directed to provide input regarding pesticide tolerances reassessment under the FQPA, developed a roadmap for reasonable review of cotton plant protection and harvest aid products.

The Council also urged EPA to use only accurate information in proposed risk assessments of organophosphate pesticides and urged Vice President Gore to provide further oversight on the agency's crop protection product re-registration activities.

## Gin Trash

The Council and the National Cotton Ginners Association did a survey of gin trash to determine various usage rates. The data and a proposed protocol to provide for accurate adjustments in assumptions were relayed to EPA, which has grossly overestimated the dietary risk associated with gin by-products fed to livestock. The agency's concern is that pesticide residue in meat and milk may create unacceptable acute dietary risks for infants and children.

## Clean Air

In addition to responding to the new ozone and particulate matter (PM) standards, the Council was involved in legislative activities on these subjects, which essentially codifies the EPA implementation plan for the new PM standard. Monitors are to be deployed by December 1999. EPA is required to collect three years of PM 2.5 sampling data before designating areas as non-attainment, with another three to five years before any implementation. In addition, implementation of the regional haze regulations was aligned with implementation of the PM rule.

Dr. Phil Wakelyn, the Council's senior scientist, environmental health and safety, served as a member of the Secretary of Agriculture's Task Force on Agricultural Air Quality Research. That task force got a memorandum of understanding between EPA and USDA for air regulations which, along with other Task Force efforts, requires EPA to consult USDA on all air quality regulations that affect agriculture and to use sound science in those regulations.

Council and National Cotton Ginners Association staff worked against unnecessary permit requirements and fees as states implemented their federal operating permit program under Title V of the Clean Air Act. This has resulted in an estimated \$150 million savings to ginning, mostly through avoidance of costly new air control equipment at gins.

## Flammability

Coordination with the textile, apparel, furniture and mattress industries is helping to prevent unnecessary regulations for upholstered furniture, mattresses and bed clothing and apparel that could significantly impact two to three million bales of cotton. The Council also is working with the apparel industry to prevent the revoking of the new amendments to the Children's Sleepwear Flammability Standards - actions which could affect sleepwear, playwear and underwear markets for children.



*Council coordination with the textile and furniture industries is aimed at preventing unnecessary regulations for sofas, chairs and other upholstered furniture.*

## OSHA

Valuable input was provided into stakeholder meetings on potential rulemakings by the Occupational Safety & Health Administration on comprehensive safety and health program rules, permissible exposure limits, ergonomics and crystalline silica. Testimony was given at a hearing on a review of the cotton dust standard and comments were submitted asking for changes to make the standard less burdensome.

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

The Council assisted in legal cases on workplace health and safety that prevented large judgments and fines for textile mills and cottonseed oil mills.

## Respirable Fibers

The Council worked with USDA and others to develop information - which has been presented to EPA - concerning levels of respirable cotton fibers in cotton operations and the health effects of these fibers. This information should remove cotton from the list of organic and mineral fibers under consideration by EPA under the Toxic Substances Control Act as a "respirable fiber" that can cause health problems similar to those caused by asbestos.



## Ecolabeling and Standards

The Council works with the American Textile Manufacturers Institute (ATMI) on ecolabeling issues to prevent any discriminatory labeling.

The European Commission issued a new ecolabel criteria for all textile products and uses which has the potential to impose informal trade barriers against U.S. cotton and textile products. Council efforts reduced the list of pesticides prohibited for use on cotton to those prohibited for use in the U.S. Also eliminated was pesticide residue testing for conventional cotton if the source of 75 percent of the cotton in the final product could be identified with a declaration that no prohibited pesticides had been used. This offers a good opportunity to use U.S. conventional cotton in ecolabeled products without difficult impediments.

As part of the U.S. Allied-Textile Industry Standards Coalition, the Council is participating in national and international standards development activities to promote cotton interests.

## International Environmental Treaties

The Council worked with other agricultural and business groups to get a legislative amendment to the Clean Air Act that extended the date for full phase-out of methyl bromide, the main fumigant used on cotton, to January 1, 2005 – the same date as the amended Montreal Protocol.

## Cottonseed Contaminants

Work with the Multi-Crop Aflatoxin Task Force and USDA helped keep aflatoxin research efforts strong for helping to meet a goal eliminating aflatoxin by 2000.

The Council is assisting Dr. Peter Cotty, USDA, with federal EPA permit requirements for the aflatoxin bio-control agent which is being used in field trials on cotton in Arizona. The Cotton Foundation is helping to fund this study. Collateral efforts with the National Cottonseed Products Association were aimed at potential Federal Drug Administration regulation for other contaminants (e.g., dioxin, Salmonella/E. coli and lead).

## On other issues, the Council:

- ✓ expanded Cotton Cares, a voluntary environmental excellence program, and communicated to EPA, industry and others its leadership role in environmentally responsible production of cotton through the Integrated Pest Management Initiative and High Cotton Awards.
- ✓ launched a Worker Protection Standard (WPS) newsletter that specifically addresses cotton production situations and covers interpretation of WPS principals, rules and tips for saving money and time.
- ✓ obtained guidelines to clarify potential-to-emit permit requirements for gins, and worked with EPA on development of appropriate air emissions factors for gins;
- ✓ worked on control technology standards for cottonseed oil mills for control of hexane emissions and for process heaters for cotton gins;
- ✓ opposed unnecessary EPA regulation for regional haze and non-diesel engines;
- ✓ served on EPA advisory panels for potential-to-emit to help work out guidance for small business and new source review to help determine the impact of these new regulations on small business;
- ✓ assisted cottonseed oil mills with compliance with toxic substance Inventory Update Rule reporting and Toxic Release Inventory reporting;
- ✓ worked with a vegetable oil coalition to get EPA, for purposes of water regulation requirements for spill prevention and facility response plans, to treat vegetable oils/animal fats facilities differently from those facilities that store petroleum-based oils; and
- ✓ focused on Endangered Species Act reauthorization and water regulations.



*A Worker Protection Standard newsletter initiated by the Council specifically offers practical tips on saving time and money in cotton production situations, including the care and use of personal protective equipment.*



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# Cotton Council International

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

## The COTTON USA Advantage

Growing influence of man made fiber in foreign markets, increased competition from foreign growths and slack demand caused by various international financial downturns challenged CCI's market development efforts in 1998. CCI responded by increasing its COTTON USA program promotion. CCI was effective in using its supply-push demand-pull strategy to support both raw cotton exports and exports of U.S. cotton, yarn, fabric and finished goods through its trade servicing and COTTON USA Mark consumer promotion efforts.

## Cotton Fiber Trade Servicing

Reinforcing U.S. cotton fiber's value, reliability and the industry's commitment to its customers continues to be at the heart of CCI's Trade Servicing program. To increase the affordability of U.S. cotton and to overcome financing problems in Asia and Latin America, CCI worked closely with USDA and qualified buyers to ensure usage of this year's GSM 102 program. As a result, U.S. cotton exporters registered approximately \$670 million in credit guarantees covering almost 1.2 million bales of U.S. cotton during the 1997/98 season.

As evidence of its long-standing commitment to building trade relationships, CCI celebrated the 30th anniversary of the COTTON USA Orientation Tour in September. Since its inception in 1968, 700 textile executives have toured the U.S. Cotton Belt during harvest. The 26 individual mills on the 1998 tour are expected to consume about \$175 million worth of U.S. cotton in the 1998 marketing year.

Another excellent example of CCI's focus on emerging markets was the COTTON USA Executive Delegation to Turkey and Bangladesh. The eight-member delegation led by Arizona producer Ron Rayner visited these key markets last year to emphasize the benefits of U.S. cotton and the industry's commitment to supply their needs.

Since 1995, Bangladesh has become one of the fastest growing markets for U.S. cotton in the world and now ranks as one of U.S. cotton's top 10 importers in terms of value. U.S. cotton exports to Bangladesh are expected to total more than 215,000 bales in 1998, up from less than 90,000 in 1995. The value of annual sales now exceeds \$84 million.

## Manufactured Cotton Product Trade Servicing

There are solid export opportunities for U.S. manufactured cotton products as well. CCI has increasingly focused its trade-servicing program towards developing marketing opportunities for U.S. mills. A diverse and creative demand-building program was implemented in 1998 to highlight quality U.S. made cotton yarns, fabrics and finished goods to buyers throughout the world.

To follow through on contacts established during the Marks and Spencer tour in 1997, the first-ever Sourcing COTTON USA Fair was held in London in March. During the three-day event, 100 Marks & Spencer buyers and their affiliates visited the Fair to meet with 12 U.S. manufacturers. Buyers from nine other major European retail organizations also attended. The event concluded with an evening of business entertainment entitled "Cool Sounds of COTTON USA." The occasion provided a relaxed atmosphere that enabled U.S. mill representatives to continue their business discussions with current and potential customers.

Building on this success, CCI hosted 11 buying executives from seven of the largest retail organizations in Europe during the European Home Fashion Buyers Tour. The participating retailers boast total sales of \$2.5 billion in home furnishings. The group toured virtually every aspect of U.S. cotton's value chain, from a cotton farm and gin in Arkansas, to textile mills in the Carolinas, to the show rooms of New York. The tour resulted in immediate sales of more than \$300,000.

CCI's focus on U.S. manufactured cotton products reached its peak with the Sourcing USA Global Cotton Textile Summit in Pinehurst, NC. CCI, Cotton Incorporated and the American Textile Manufacturers Institute joined together to present an impressive array of speakers and workshops to highlight the world class cotton fiber processing capabilities of U.S. manufacturers.

Under the banner, "Cultivating Enduring Partnerships," the Summit successfully brought together 225 U.S. cotton textile leaders and decision-makers from top global apparel and home furnishing manufacturers, trading companies, key international brands and retailers.



*From left: Phil Burnett, National Cotton Council executive vice president; Fred Smith, board chairman and CEO of FDX Corp.; William B. Dunavant, Jr., board chairman and CEO of Dunavant Enterprises, and Berrye Worsham, president and CEO of Cotton Incorporated, spoke at CCI's "Sourcing USA: A Global Cotton Textile Summit" event.*

Managing venues where buyers and sellers meet continues to be one of the cornerstones of CCI's market development strategy. An essential element of CCI's manufactured products program has been participation in the world's leading textile trade shows. CCI, in collaboration with Cotton Incorporated, supported U.S. mill participation at five of the world's largest trade shows in 1998.

In January of 1998 and again in January of 1999 CCI sponsored U.S. home product manufacturers at Heimtextil in Germany. CCI used the successful Cool Sounds of COTTON USA musical theme to support five manufacturers in strengthening their relationships with more than 125 leading home fashion buyers, trade executives and journalists covering the European home fashion industry.

In Latin America, CCI sponsored both the COTTON USA Booth at Colombiatex in Medellin, Colombia and an impressive COTTON USA Pavilion at Textilmoda in Bogota. In Asia, CCI featured U.S. made fabrics at the U.S. Cotton Service Center at Tokyo Pretext, and U.S. mills used the U.S. Cotton Pavilion at Interstoff Asia last October to promote their yarns and fabrics.

## Consumer Promotions

Consumer promotions that increase the sale of U.S. cotton-rich products at retail continue to be a core element of CCI's strategy. CCI's retail promotions generated a record \$235 million in sales of products labeled with the COTTON USA Mark.

CCI again worked with leading Asian music stars to generate excitement about cotton among the region's youth. Included was the successful launch of a similar program in Latin America. This strategy has clearly increased sales for licensees and has attracted young consumers to COTTON USA. For example, CCI's "Feel Real With COTTON USA" promotion in Hong Kong and Taiwan increased retail sales for 13 COTTON USA denim apparel licensees. The promotion increased sales by more than 173 percent over last year's levels. This year licensees sold more than \$10 million worth of denim jeans.

The "COTTON USA Fulfills Your Dreams" promotion in Latin America was also very successful. The promotion featured music artists Mana, Alejandro Sanz and Eros Ramazzotti. The 13 COTTON USA licensees in Colombia participating in the promotion reported sales increases of up to 55 percent over last year's levels.

Although promoting U.S. cotton rich jeans remains important, CCI also developed new sales building activities with its golf apparel licensees in Japan and infant and children's wear licensees in Korea and the Philippines. Total combined sales of U.S. cotton rich products in these promotions reached \$7.6 million.

The third annual "COTTON USA Lucky Draw" promotion in Japan generated more than \$44 million in sales of qualified products labeled with the COTTON USA Mark. A record 171,000 entrants correctly identified the COTTON USA Mark as the sign of cotton quality. Northwest Airlines and participating licensees hosted a group of "lucky draw" winners for a U.S. tour.

The largest and most successful retail promotions was CCI's promotion partnership with Japanese licensees and retailers. The promotion resulted in sales of more than \$75 million worth of cotton products made with a majority of U.S. cotton.

The 1998 COTTON USA consumer advertising and promotion program was successful as a result of creative advertising and marketing campaigns and strong participation by both COTTON USA licensees and CCI's promotion partners.

CCI plans to use its new "upbeat and energetic" advertising materials to increase trade and consumer demand for U.S. cotton and to energize its 1999 COTTON USA consumer promotion efforts.

## Budget Leveraging and Strategic Partnerships

CCI's budget resources are limited by comparison to the scope of its mission. As a result, CCI continues to be creative in the art of budget leveraging. Last year, CCI generated more than \$3.2 million worth of free publicity for U.S. cotton, cotton products and the COTTON USA Mark program.

An excellent example of CCI's work in this area is a series of infomercials entitled "Put Your Heart Into Cotton" which aired in Thailand more than 30 times from March through July. The infomercials, which included positive messages about U.S. cotton from Thai cotton buyers, Mark licensees, high fashion models and local celebrity families, were broadcast at very little cost to CCI.



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*CCI's promotions in Japan sold \$75 million worth of cotton products made with a majority of U.S. cotton.*

# The Cotton Foundation

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

Through The Cotton Foundation, the Council is generating an additional \$1.75 million annually for cotton research and education. Although small by comparison to the nearly \$50 million in federal and university support allocated to cotton research and education, the Foundation's contributions are important because they are helping the Council reach specific strategic objectives.

For example, 29 general research and educational projects were funded in 1998-99 at more than \$450,000, the highest level ever. Projects ranging from aflatoxin contamination prevention to a fire safety assessment for mattress and bedding are helping to provide timely solutions for threats to industry profitability.

The aflatoxin work is a good example of how Foundation dollars can be used to accelerate work on a cotton-related concern. Controlling aflatoxin has the potential for saving cotton producers up to \$30 per acre for contaminated seed that cannot be sold for use in dairy products or animal feed. Researchers working on a Foundation-sponsored project have developed a natural, non-toxic strain of the fungus that overpowers the species producing aflatoxin and only costs about \$5 an acre to apply. Efforts to develop a commercial application system have been promising.

Another study is evaluating the potential for using cottonseed meal as a feed for rainbow trout, much like earlier studies focused on its use for feeding tilapia and catfish.

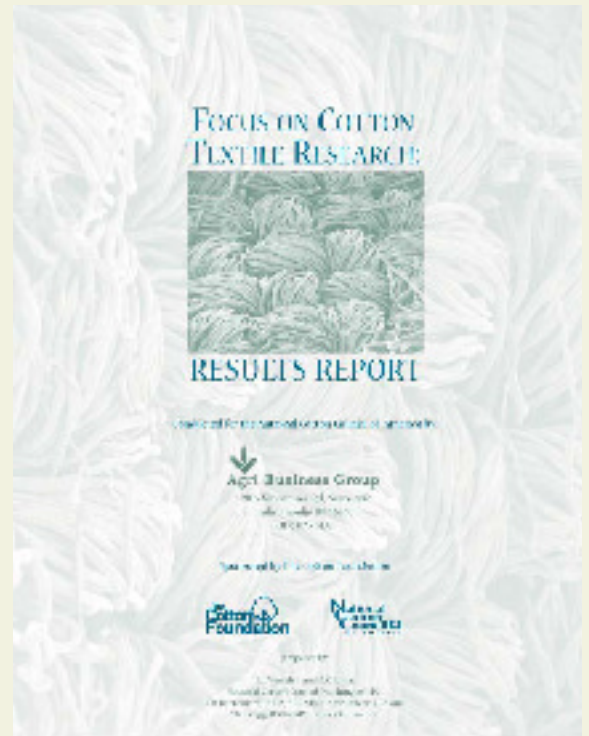
The Foundation also turned its attention to Worker Protection Standard education, working with the Environmental Protection Agency to publish a straightforward, common sense guide to help cotton producers comply with the standard.

Favorable reviews greeted another new Foundation educational program, the *Journal of Cotton Science*, a multidisciplinary, refereed journal residing on the Council's home page. By encouraging more inter-disciplinary cotton research, the Journal is helping to accelerate the development and transfer of new technology.

Foundation special projects, most of which have an educational thrust, also are helping to make all segments of the industry stronger and better equipped to face the future.

For example, one grant helped establish programs to educate producers on how to identify and fight seedling disease. Included are a section on the Council's World Wide Web site and distribution of special cards used to collect soil moisture and other data.

An educational special project launched in 1999 is aimed at encouraging Council members' activity in the organization particularly in policy development. The Policy Education Program is designed to give up to 16 cotton producers per year a thorough orientation of the Council's programs and its policy development/implementation process.



*Foundation support made possible the publication and distribution of the "Focus on Cotton Textile Research" project results to key research organizations, lawmakers and others.*



*A Council-produced ad promoting U.S. cotton products appears at various stops in Atlanta's subway system. The Georgia chapter of the National Cotton Women's Committee coordinated the effort as part of the Foundation's "Grown and Made in the USA" campaign special project.*



Another special project, the Congressional Staff Education and Orientation Program, boosted the Council's policy implementation process. More than 30 congressional staffers, many of them unfamiliar with agricultural issues, were given a first-hand look at industry operations during tours and visits with industry leaders in the Mid-South and Far West.

As was the case in 1998, the Foundation will continue to put a high priority on preserving affordable technology and helping producers, in particular, maximize its use.

#### Some examples include:

- ✓ Foundation member top executives met with industry leadership to explore ways to restore profitability to the producer sector, a dialogue that likely will continue in 1999 even as many of the Foundation's members continue to merge.
- ✓ The Foundation also is considering hiring a consultant to help the industry find ways to reduce its production and processing costs.
- ✓ A Foundation committee was established to increase producer and supplier awareness about insect resistance to transgenic cottons.
- ✓ Foundation members stepped up their support of the Beltwide Cotton Conferences, the premier forum for transferring valuable cotton technology and information.



*Bruce Brumfield, a Mississippi producer and past president of the Council, talks to Congressional staffers at the Duncan Gin in Inverness during one of two Congressional Staff Education and Orientation Program tours in 1998.*



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