

# 2010 NCC Report to Members

**This Report to Members highlights major NCC action in 2009.**



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## Joint Message from the Chairman and the President

Throughout 2009, the National Cotton Council (NCC) reiterated to Congress and the Obama Administration that the 2008 farm law did not need to be re-opened for budget savings, nor should any of its provisions be weakened. Specifically, the NCC strongly emphasized to USDA that the agency should implement the farm law fairly and according to Congressional intent.

We also congratulated lawmakers for various efforts – from preserving the 2008 farm law from unwarranted changes to defending U.S. cotton programs in the face of potentially damaging World Trade Organization (WTO) rulings and negotiations. NCC Vice Chairman Eddie Smith led a meeting with newly-appointed U.S. Trade Representative (USTR) Ron Kirk to relay industry concerns with WTO Doha negotiations, the ongoing WTO Brazil cotton case and issues with market access in China. After the WTO Dispute Settlement Body officially recognized the August 2009 Arbitration Panel finding in the case brought by Brazil against the U.S. export

credit guarantee program and portions of the U.S. cotton program, we issued a statement saying that the NCC would continue to work with USTR, USDA and Congress to ensure that the many changes previously made to the U.S. cotton program and the export credit guarantee program are fully understood and considered by the WTO.

Late in the year, we met with Congressional members and USDA staff to discuss a number of critical issues, among them trade policy, farm bill implementation, climate change legislation, food safety and the gravity of the weather-affected 2009 crop. On the latter, we specifically shared: 1) the deep concerns that growers, ginners, warehousemen, cottonseed handlers and related agribusinesses had about the significant financial losses resulting from the rain-delayed planting and harvest of cotton and other crops in the Mid-South, particularly Arkansas, Mississippi and Louisiana; 2) reminded Members that losses resulting from the 2008 hurricanes and the severe drought in South Texas also resulted in severe financial losses which have not been addressed; 3) expressed the industry's grave concerns about the regulatory drought in California which has resulted in serious financial damage to farms and related businesses as well as created massive unemployment; and 4) thanked Members for their continued cotton industry support.

The NCC continued to work with the USDA's Risk Management Agency (RMA) and USDA's Agricultural Marketing Service to develop better quality loss adjustments within the cotton program, and continued to work with the RMA and Congress on implementing crop insurance programs, including a cottonseed pilot program.

On the regulatory front, the NCC actively monitored and provided input on issues ranging from food safety to formaldehyde. Among many significant actions was the petition filed by the NCC and other agricultural groups to the U.S. Supreme Court seeking a reversal of the Sixth Circuit Court decision in *NCC v. EPA* regarding pesticide application permits under the Clean Water Act.

Our export promotions arm continued to work relentlessly worldwide to build underlying consumer demand for products containing cotton, and U.S. cotton in particular. Cotton Council International's COTTON USA activities reached hundreds of millions of global consumers in 2009.

The NCC escalated its multi-pronged educational efforts to help its members in areas ranging from herbicide resistance management to handling seed cotton exposed to excessive rainfall.

The Cotton Foundation was behind the lion's share of that outreach, including lending strong support to the NCC's web server which is proving to be a very effective distribution method.

The NCC, CCI and Cotton Incorporated continued their partnership on one of the larger Foundation-supported endeavors, "Vision 21," a project that is detailing demographic consumer studies in China and India, conducting a cotton life cycle analysis, and spearheading key cotton flow research. Anticipated completion is late 2010.



**Jay Hardwick**  
**Chairman (2009)**



**Mark Lange**  
**President/Chief**  
**Executive Officer**

## **Legislative Affairs**

*Major activities carried out during 2010.*

### **2008 Farm Legislation**

Implementation of the 2008 farm law continued, and the NCC was diligent in providing input for both commodity and conservation programs.

Early in 2009, the NCC joined with other agricultural organizations on a letter to Agriculture Secretary Tom Vilsack expressing strong support for the safety net provided by the 2008 farm law. The NCC also joined with commodity and general farm organizations in requesting a 30-day extension of the deadline for submitting comments on the farm law's interim final regulation implementing payment eligibility changes. Subsequently, Agriculture Secretary Tom Vilsack extended the comment period for that rule and for the payment limitation regulation. Later, the NCC submitted comments on that interim rule asking USDA to correct deficiencies in the interim rule, which the NCC noted that, in many instances, went beyond the 2008 farm law and in some cases were arguably contrary to existing law.



**The NCC's Conservation Task Force developed recommendations that were included in the NCC's formal comments on rules pertaining to multiple conservation programs.**

The NCC convened its Conservation Task Force (CTF) to review USDA's interim final rules on the Environmental Quality Incentives Program (EQIP), the Wetlands Reserve Program (WRP), the Wildlife Habitat Incentives Program and other 2008 farm law conservation programs. The task force developed recommendations that were included in the NCC's formal comments on these rules. The NCC's comments on EQIP generally focused on proposals regarding irrigation

issues and asked for further clarification on several sections. The NCC's comments also applauded Natural Resource Conservation Services (NRCS) efforts to implement the new valuation rules to determine a fair market value for lands enrolled in the WRP. Later, NCC staff reviewed the interim final rules issued for the Conservation Reserve Program and the Conservation Stewardship Program (CSP), discussed them with its CTF, submitted comments on both and continued to monitor any changes to these programs. The NCC also provided a CSP summary and the self-screening check list on its web site, [www.cotton.org](http://www.cotton.org), and continued working with the NRCS as a final rule was developed in early 2010.

NCC staff also monitored the development of the supplemental agricultural disaster assistance programs authorized by the 2008 farm law, including the Supplemental Revenue Assistance Payments Program (SURE). Based on available information, a detailed summary of SURE was provided along with farm-level examples of the program. The NCC continues to monitor development of the program's regulations.

Simultaneously, the NCC worked diligently in preparation for the federal budget debate to convey opposition to farm program cuts included in President Obama's 2010 budget proposal and any efforts to re-open the 2008 farm law. Specifically, the NCC issued a statement expressing serious concerns that the budget proposal failed to recognize Congress' work on the Food, Conservation and Energy Act of 2008 and would undermine confidence in a stable farm policy. The statement congratulated Senator Thad Cochran (R-GA) and Representatives Collin Peterson (D-MN) and Frank Lucas (R-OK) for their strong support of the 2008 farm law and their response to that budget proposal.

The NCC wrote to the Appropriations Committee's Cotton Belt members urging them to reject any efforts to use the FY10 agriculture appropriations bill to amend the farm law. That included such areas as payment limits and eligibility, crop insurance, conservation programs, cotton storage credits and the Market Access Program (MAP). The NCC also joined with 42

commodity, general farm, banking, cooperative, conservation, and crop insurance organizations on a letter urging that Committee's agriculture appropriations subcommittee not to include farm law-amending provisions – and that panel obliged.

NCC Chairman Jay Hardwick told a House Agriculture Committee subcommittee that critical parts of the regulations implementing payment limitations and adjusted gross income eligibility tests were inconsistent with the Food, Conservation, and Energy Act of 2008 or were unclear – causing uncertainty and concern among producers. He also testified that given these uncertainties and lack of clear direction, it would be patently unfair and unwarranted if oversight agencies mount a massive review of this process sometime in 2010 in an attempt to claim lack of USDA enforcement or widespread program abuses.



**NCC Chairman Jay Hardwick testified that critical parts of the regulations implementing payment limitations and adjusted gross income eligibility tests were inconsistent with the 2008 farm law.**

### **In other farm program activity:**

The NCC worked with other groups and with Congress and the Obama Administration to overturn a USDA-issued rule that would unilaterally terminate base acres beginning with the 2009 crop on all land owned by the U.S. government, whether or not such land was owned directly by USDA or another agency. That rule later was rescinded by Agriculture Secretary Vilsack.

The NCC Chairman sent a letter to Agriculture Secretary Vilsack requesting that he utilize the authority available under the 2008 farm law to make a partial counter-cyclical payment for 2008 upland cotton available and at the maximum level, effective on January 27. Shortly afterwards, Secretary Vilsack announced that the Commodity Credit Corporation would make \$490 million available in partial 2008 Counter-Cyclical Program payments to eligible producers with enrolled upland cotton bases acres in the Direct and Counter-Cyclical Program.

### **Legislative Affairs**

The NCC joined other organizations representing American farmers, processors and related agribusinesses in expressing strong support for the prompt passage of legislation to provide funding for emergency disaster assistance. In their letter, the groups thanked a group of Senators for their efforts to deliver much-needed financial assistance to producers and rural communities to assist



them in recovering from devastating losses caused by hurricanes, excessive rain during planting and harvest and other weather-related natural disasters that have affected growers in the Mid-South, Southwest and neighboring states. The NCC also mobilized its members to urge their Senators to join onto legislation that was introduced by Senators Thad Cochran (R-MS), Blanche Lincoln (D-AR) and Roger Wicker (R-MS).

The NCC issued a statement regarding the American Clean Energy and Security Act saying it commended Chairman Collin Peterson's (D-MN) amendments but that it could not support the bill as proposed because the higher costs of energy and other production inputs for every U.S. cotton sector would far outweigh any benefits resulting from offsets in a cap-and-trade program.

The NCC also responded to a global warming questionnaire by House Agriculture Committee Chairman Collin Peterson (D-MN) in preparation for imminent global warming legislation and monitored climate change legislation moving through the Senate.

The NCC urged the House Agriculture Committee's Subcommittee on General Farm Commodities and Risk Management to continue its oversight of risk management, including the federal crop insurance program, to ensure a meaningful tool is available for producers.

Rickey Bearden, the chairman of the NCC's Crop Insurance Task Force testified twice before that panel. Among the concerns conveyed: 1) crop insurance must be developed, delivered and administered as an effective risk management tool and innovative policies must be developed to make crop insurance more useful in various and ever-changing production conditions and 2) there is a need for higher coverage at affordable rates. The NCC's support of conducting a Cottonseed Pilot Endorsement program – likely in 2011 - that would offer yield coverage for cottonseed as an optional endorsement, applicable to buy-up cotton insurance policies, was also noted.

In general, the NCC urged that any changes made to the crop insurance not hamper a company's ability to offer policies throughout the Cotton Belt or hamper a company's ability to fully service the producers.

The National Cotton Ginners Association submitted comments on the Department of Labor's proposed changes to the H2-A Program. The comments stated that the proposed rule would suspend the recently implemented 2008 Rule and revert back to past burdensome and punitive provisions.



**Cargill Cotton CEO Gary Taylor testified on behalf of the NCC, the American Cotton Shippers Association and AMCOT at a hearing to review the Derivatives Markets Transparency and Accountability Act of 2009.**

## **Market Volatility**

Cargill Cotton CEO Gary Taylor testified on behalf of the NCC, the American Cotton Shippers Association and AMCOT at a House Agriculture Committee hearing to review the Derivatives Markets Transparency and Accountability Act of 2009. Taylor conveyed the industry's support for that bill – which later passed the House – and stressed the severe financial strain placed on the U.S. cotton industry due to the unpredictable risk caused by a dysfunctional futures market.

Later, NCC Chairman Jay Hardwick wrote Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler asking the CFTC to publish the findings of their investigation into the events which occurred in March 2008 in the cotton futures market. The letter reiterated that a transparent and functional futures market is critical to the economic health of U.S. cotton industry members.

### **In other legislative activity, the NCC:**

- joined a large group of farm and ranch organizations in calling for estate tax legislation that preserves a stepped-up basis, provides the lowest possible rate with the highest possible exemption and exempt certain farm land from estate taxes.
- combined with the California Cotton Growers and Ginners Associations and other California-based crop organizations in urging the Senate to approve an amendment to the Interior Appropriations bill aimed at ending the regulatory drought, which has idled thousands of highly productive acres.
- sought cost share funding in the House agriculture appropriations bill to support the pink bollworm and boll weevil eradication programs and to support cotton ginning research at the USDA-ARS laboratory in Lubbock.
- signed onto a letter with textile and apparel manufacturing trade associations and labor unions urging House members' support of the Kissell amendment to the House's American Recovery and Reinvestment Act – one that would mandate that any textile and apparel products purchased by the Department of Homeland Security's Transportation Security Administration be made with 100 percent U.S. content.

- urged its producer members to participate in a USDA referendum and vote for a provision which added Kansas, Virginia and Florida as separate states in the definition of “cotton-producing state” as defined in the Cotton Research and Promotion Act.

# Trade

*Major activities carried out during 2009.*

## **World Trade Organization**

Early in 2009, in testimony before the U.S. International Trade Commission (ITC), the NCC said India’s cotton subsidies, coupled with its failure to notify the WTO of those subsidy levels, are a major impediment to cotton trade. Dr. Gary Adams, the NCC’s vice president of Economics & Policy Analysis, told that panel that the NCC is “very concerned with the ongoing and expanded subsidies for cotton that Indian farmers are receiving in violation of their WTO commitments. We are also concerned that India's stance in the Doha Round negotiations would result in no increased market access for cotton fiber into India. Further, its textile policies unfairly enhance its textile competitiveness, while contributing to a low level of U.S. imports into India.”

NCC Vice Chairman Eddie Smith was joined by NCC President/CEO Mark Lange and NCC Senior Vice President of Washington Operations John Maguire in a meeting with U.S. Trade Ambassador Ron Kirk. Industry concerns with the continuing WTO Doha negotiations were discussed along with the ongoing WTO Brazil case and issues with market access in China.

The NCC sent a letter to U.S. government officials – supported by a background paper – expressing disappointment that the West African C-4 country ministers continue to use outdated arguments in seeking an elimination of U.S. cotton subsidies through the WTO -- a solution that simply will not address their farmers’ needs. That information was reiterated by NCC President/CEO Mark Lange at a Washington, DC, symposium held in conjunction with the C-4 ministers visit. The NCC also distributed information to news media attending the event, and to Congressional members from cotton growing districts and states as well as to USDA and the USTR.





The NCC distributed information regarding the WTO Doha negotiations to news media attending this briefing at the National Press Club in Washington, DC, and to Congressional members from cotton growing districts and states, to USDA and the USTR.

## **Brazil-U.S. WTO Case**

Throughout 2009, the NCC stressed that the current cotton market was much different than the time of the original Brazil-U.S. dispute period of 2002-05 – and that given changes in U.S. production and farm programs, there is no credible evidence to support a finding that the U.S. cotton program is causing economic injury to Brazil.

After the Arbitration Panel findings release was delayed for the third time, the NCC responded to inaccuracies in a

letter sent by the U.S. Chamber of Commerce to members of the Senate finance and agriculture committees, and met with Chamber officials to discuss the case.

Following the Panel's findings release, the NCC issued a statement saying it was pleased that the arbitration award was far less than requested by Brazil, that no award was provided with respect to the Step 2 cotton program, and that Brazil was not authorized to cross-retaliate at that time. The NCC joined with five other agricultural organizations in expressing disappointment that the panel based its decision on the GSM program as it existed in 2005. The groups also urged the U.S. government to request a new Compliance Panel to update the ruling.

Late in the year, the WTO Dispute Settlement Body officially recognized the August 2009 Arbitration Panel finding in the case brought by Brazil against the U.S. export credit guarantee program and portions of the U.S. cotton program. The NCC responded by issuing a statement saying it would "continue to work with the USTR, USDA and Congress to ensure that the many changes previously made to the U.S. cotton program and the export credit guarantee program are fully understood and considered by the WTO."

## **China**

In a letter to USTR Deputy Ambassador Demetrios Marantis, the NCC conveyed the U.S. cotton industry's concerns with China's trade restrictions and policies for cotton fiber. The NCC also asked USTR to raise with Chinese officials the problems posed by the new registration requirements enacted in March.

The NCC also reminded Agriculture Secretary Tom Vilsack in advance of the U.S.-China Joint Commission on Commerce and Trade of the continuing market access issues that U.S. raw

cotton faced with China and thanked USDA for the excellent work of its Agricultural Marketing Service Cotton Division in harmonizing Chinese cotton standards.

China Cotton Association leaders toured the U.S. Cotton Belt to learn more about the industry under a 2006 Memorandum of Understanding signed between the two countries. The visit was sponsored by the NCC, Cotton Council International and The Cotton Foundation.



**China Cotton Association leaders toured the U.S. Cotton Belt to learn more about the U.S. cotton industry under a 2006 Memorandum of Understanding signed between China and the United States.**

The NCC joined various textile, fiber and apparel coalitions in: 1) conveying concern to the USTR about a proposal to expand the provisions of the Afghanistan/Pakistan

Reconstruction Opportunity Zone legislation to include cotton knit shirts, blouses and trousers – products that account for a significant portion of U.S. yarn and fabric exports to the Western Hemisphere which are converted to apparel and exported to the United States; 2) warning in a second letter to Secretary of State Clinton of the billions of dollars in textile and apparel trade between the United States and Honduras that was being seriously jeopardized by the continuing political crisis; and 3) urging Congress to take expeditious action to renew the Andean Trade Preference Act, which was set to expire on December 31, 2009.

#### **In other trade activities, the NCC:**

- thanked China Fiber Inspection Bureau (CFIB) officials for their cooperative efforts with USDA's Agricultural Marketing Service. The CFIB and USDA signed a memorandum of understanding to establish a framework for collaboration on cotton classification methods and standards.
- applauded the China Cotton Association's launch of a cotton promotion program during its 2009 China International Cotton Conference.
- joined a broad coalition of commodity, livestock and general farm organizations in supporting the confirmation of Dr. Isi Siddiqui, nominated to serve as chief agricultural trade negotiator in the Office of the U.S. Trade Representative, and Michael Punke, nominated to serve as U.S. ambassador to the WTO and deputy U.S. trade representative.

# Communications

*Major activities carried out during 2009.*

## Public Attitudes

The National Cotton Council actively communicated the importance of maintaining the 2008 farm law's integrity during the legislation's implementation process. The NCC's stance on implementation was reiterated in releases, radio news lines, television segments, columns and interviews with both print and broadcast journalists. That effort was reinforced via the NCC's continued participation in Farm Policy Facts.org (<http://www.farmpolicyfacts.org>), a non-profit coalition which issues documents to educate Americans, particularly Congress, about agriculture's contributions to the nation.

Special articles were placed in the farm trade press on WTO issues affecting the U.S. cotton industry. The NCC also conducted conference call briefings with trade and national news media on these issues, including developments in the Brazil-U.S. cotton dispute.



The NCC, along with other commodity organizations, continued to support *America's Heartland*, a public television program that highlights the diversity and success of American agriculture. Now completing its fifth season, the program is in 80% of the nation's public television markets. Along with a complete listing of stations and programming schedules,

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[www.americasheartland.com](http://www.americasheartland.com) also now features an educational section with teaching tools and discussion guides. That material complements the segments of *America's Heartland*, which now is partnering with the national Ag in the Classroom program.

## In other public attitudes activity, the NCC:

- launched a proactive news media strategy in anticipation of the latest decision in the Brazil-U.S. cotton dispute – one that resulted in a successful non-story event.

- stayed involved in the Keystone Initiative’s Field to Market program to define sustainability and take the message to consumers, as well as develop a grower tool to assist producers in determining the sustainability of their farms.
- mobilized during the wet weather crisis in the Mid-South by distributing radio newlines and an AgDay television segment and coordinating a trade press article as part of an overall communications effort to raise awareness among lawmakers of the harvest season catastrophe; and coordinated a conference call media briefing following the introduction of emergency disaster assistance legislation.

## Information Services

Progress on the farm bill development and the NCC’s efforts to explain the new law’s provisions were reported through news releases, the AgDay Cotton’s Week television segment, radio news lines and *Cotton’s Week*. An initiative also was launched, including garnering members’ email addresses, to begin distributing *Cotton’s Week* electronically only beginning with the first issue of 2010.

A weed resistance management video was produced and is being offered in conjunction with the NCC’s Weed Resistance Learning Module on the NCC’s website at

The screenshot shows a news article from Delta Farm Press. The article is titled "Rain trashes Mid-South cotton" and is dated December 11, 2009. The author is Eilton Robinson. The article text states: "Stewart says ginners were financially affected by the delayed season because they often had to pay contracted employees even though cotton wasn't running through the gin. In addition, lower-than-expected volume due to the short crop has significantly cut revenues." Below the text is a photograph of cotton plants in a field, showing some cotton bolls and leaves. The article is part of a news release from the National Cotton Council of America, dated December 3, 2009. The release title is "Ag Groups Express Appreciation to Representatives Childers, Berry Urge Prompt Action on Disaster Assistance Legislation". The release text states: "WASHINGTON, DC - The National Cotton Council and other national commodity organizations representing producers, processors and related agri-businesses expressed appreciation to Representatives Thru Childers (D-MD) and Maroon Berry (D-AE) for".

**The NCC carried out an extensive communications effort to raise lawmakers’ awareness of the Mid-South harvest season catastrophe and of the need for emergency disaster assistance legislation.**

<http://www.cotton.org/tech/pest/index.cfm>.

Assistance was provided to post the video “Bale Packaging: Eliminating Broken Bale Ties” in a streaming format from a link on the NCC Technical Service’s Bale Packaging page.

Regular monthly and multiple special columns and articles under various NCC officers’ bylines were generated and placed in trade press publications. The articles helped increase awareness among industry members, lawmakers and other key publics on various legislative/regulatory matters and educational activities. That included an initiative to spawn multiple trade press articles focusing on promoting the 2010 Beltwide Cotton Conferences.



Promotion and public relations support was given to Cotton Council International (CCI), The Cotton Foundation and to various cotton interest organizations such as the American Cotton Producers, the National Cotton Ginners Association (NCGA) and others. For example, CCI support included work on its annual directory, buyers' guide, calendar, quarterly newsletters, CCI-FAX, as well as various audiovisual reports.

Audiovisual projects were conducted for both the NCC and other industry organizations. Among those were the 2010 NCC staff report and work with the NCGA, the Beltwide Cotton Conferences, the pink bollworm and boll weevil eradication programs and others to develop "You-Tube-like" streaming media messages to build attendance at meetings and to educate the public and Congressional staffers.

## Technical

*Major activities carried out during 2009.*

### **Research/Education**

The 2009 crop situation, especially the excessive rainfall during planting and harvest in the Mid-South, was monitored closely by the NCC which, in conjunction with the NCGA staff, developed "Recommendations For Handling Seed Cotton Exposed To Excessive Rainfall," and made the document available on the NCC's web site.

English and Spanish version PowerPoint presentations were added to the Quality Preservation page on the NCC's web site, [www.cotton.org](http://www.cotton.org) to provide additional information in the NCC's "Contamination Free Cotton: Keep It Clean and Pure" campaign.

The NCC-coordinated Beltwide Cotton Conferences offered an enhanced web site to provide information on all facets of the 2010 forum in New Orleans, including conference programming which featured beefed up workshops and the continuation of the Cotton Consultants Conference.





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## **Regulatory**

The NCC and other commodity organizations analyzed a U.S. Sixth Circuit Court of Appeal’s decision on EPA’s rule exempting certain applications of pesticides from the Clean Water Act requirement for a National Pollution Discharge Elimination System permit. A coalition of 22 farm organizations, including the NCC, sought a rehearing but EPA announced it would not request a rehearing but a 24-month extension in order to develop a permitting system for pesticide applications

which previously had been regulated under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA).

NCC President/CEO Mark Lange had written to EPA Administrator Lisa Jackson urging her to seek a rehearing stating that the NCC believes the Court’s decision “overlooked agriculture’s exemptions in the Clean Water Act and will have significant detrimental impacts across U.S. agriculture. These additional burdens will be placed on farmers with no added water quality benefits that the FIFRA label does not already provide.” Later, after the Court denied industry’s petition for a rehearing, the NCC and other agricultural organizations filed a petition for certiorari to the U.S. Supreme Court seeking reversal of the Sixth Circuit decision.

The NCC urged its members to contact their Congressman and convey serious concerns regarding the H.R. 2749 food safety bill – and that it not be voted on until referred to the House Agriculture Committee for consideration. The bill would have expanded significantly the Food and Drug Administration’s authority to regulate and oversee on-farm production activities. The NCC continued to work with a coalition that included the American Farm Bureau Federation, commodity groups, other oilseed processors and the grain trade to address concerns of affected cotton industry processors as the bill went to the Senate.

In anticipation of Senate action on food safety legislation, the NCC and the NCGA signed a letter with 24 other agricultural organizations sent to the Senate Committee on Health, Education, Labor, and Pensions. The letter endorsed certain provisions of that legislation (S. 510) and recommended improvements. S. 510 eventually was passed by that panel but was not addressed by the full Senate before year’s end.

The NCC opposed the Chemical Facility Anti-Terrorism Act of 2009 introduced to amend the Homeland Security Act of 2002. The NCC and other agricultural groups were concerned about the impact to farms which utilize certain fertilizers and pesticides that might be considered a substance of concern.

Testifying at a Consumer Products Safety Commission (CPSC) hearing on behalf of a broad coalition of textile and apparel interests, including the NCC, former NCC technical staffer Dr. Phillip Wakelyn stated there was strong evidence from CPSC studies, the textile industry and others over the last 30 years indicating formaldehyde in textiles does not pose an unreasonable risk of injury to consumers. He noted that because of the federal, state and volunteer regulations/guidelines already in place concerning formaldehyde and textiles, there was no need for legislative or regulatory action unless the results of the General Accounting Office study, required by the Consumer Product Safety Improvement Act, indicate that action is necessary.

The NCC developed information for use by CCI, USDA-APHIS and USDA-FAS in negotiations to eliminate Egypt's unnecessary fumigation requirement for baled cotton and facilitate shipment of U.S. cotton to Egyptian mills.

### **Pest Management**

The NCC's Boll Weevil Action Committee (BWAC) was informed by USDA Animal & Plant Health Inspection Service (APHIS) National Boll Weevil Eradication Program Coordinator Bill Grefenstette that the: 1) boll weevil has been eradicated from 97 percent of U.S. cotton acreage and 2) remaining significant populations of boll weevils in the Cotton Belt are concentrated in southern Texas. The BWAC approved a letter inquiring about possible USDA Agricultural Research Service (ARS) research funds to address additional research needs. The BWAC also made recommendations to APHIS on the allocation of federal boll weevil cost share funding as part of the Joint Cotton Pest Account, once approved by Congress.

The NCC conducted a survey to identify the pesticides currently important for cotton production. NCC staff also continued working with registrants to maintain these registrations after EPA published a list of 67 pesticide ingredients – both active and inert – subject to initial screening in 2009 under the Food Quality Protection Act-mandated Endocrine Disruptor Screening Program.



The NCC's Boll Weevil Action Committee was informed by USDA-APHIS that the boll weevil has been eradicated from 97 percent of U.S. cotton acreage.

The NCC submitted comments to EPA regarding the agency's draft Ecological Risk Assessment of Fomesafen. That is the active ingredient in Reflex, an important tool in the battle to manage resistant pigweed in the Mid-South and Southeast. Fomesafen is one of the first products evaluated under the EPA's second cycle of re-registration. The NCC called on producers and interest organizations to submit similar comments urging EPA to use current agronomic practices and best scientific information to evaluate pesticides.

The NCC also submitted comments to EPA objecting to the agency's approach in its registration review process. In its preliminary assessment of clomazone (Command), EPA used a worst case volatilization incident to establish a two-mile radius "action area" for the consideration of endangered species.

In concert with several other agricultural organizations, the NCC wrote Agriculture Secretary Tom Vilsack urging that USDA's Office of Pest Management Policy (OPMP) not be downgraded. The groups specifically asked him to appoint a special assistant to the Secretary for Pest Management Policy; to fill the vacant position of director of the Office of Pest Management Policy; to ensure that the director reports directly to the Secretary or a designee of the Secretary; and to adequately fund and support the OPMP.

### **Cotton Flow/Packaging**

The Joint Cotton Industry Bale Packaging Committee (JCIBPC) re-approved the 2008 bale packaging specifications for consideration by USDA. The JCIBPC also reviewed 2008 experimental test programs and strongly encouraged gins using materials approved for use in experimental test programs to recess their bale ties. Gins also were urged to record and provide testing firms with a bale tag list when experimental test products are used – a step that is helping NCC staff monitor the tested materials' performance.

A letter from JCIBPC Chairman Curtis Stewart alerted ginners to the NCC web site addition of a video, “Bale Packaging: Eliminating Broken Bale Ties.”

The NCC joined with other agricultural groups in a listening session with the Department of Transportation and the Federal Highway Administration to increase understanding of multiple transportation issues and awareness of transportation legislation that will affect U.S. agriculture.

The NCC also arranged for its members to participate in a webinar discussion regarding railroad market power over the U.S. cotton industry. The webinar included a confidential survey that allowed participants to relate their economic impact experience with rail carriers. The NCC, along with other agricultural organizations, pledged to work with Senators Herb Kohl (D-WI) and John Rockefeller (D-WV) to see that comprehensive railroad antitrust legislation was passed in 2009.



The NCC posted on its web site the “Manager’s Guide to Safe Trucking During Agricultural Planting and Harvest Season.”

The NCC and the NCGA joined 50 agriculture groups to express support for maintaining the agricultural hours-of-service (ag HOS) exemption during the transportation authorization debate. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users exempted agricultural carriers from the HOS regulations if they operated

only within a 100-mile radius from their central base of operation – much needed flexibility during busy planting and harvest seasons. Earlier, the NCC posted on its web site the “Manager’s Guide to Safe Trucking During Agricultural Planting and Harvest Season,” an effort initiated by the Agricultural and Food Transporters Conference of the American Trucking Associations.

At the NCC Cotton Flow Committee’s prompting, USDA honored two NCC requests: 1) expansion of data released in the quarterly cotton flow summary reports and 2) clarify and define the term, “Active Shipping Order,” would be addressed through rulemaking.

**On other technical issues, the NCC:**

- promoted and cooperated in the conducting of the Southwest, Western and Stoneville ginner schools.
- continued, along with the NCGA, to engage the Labor Department on the H-2A rulemaking process.
- provided input to EPA, including on its Clean Water Act permitting prototype, at the Pesticide Policy Dialogue Committee through U.S. cotton industry representative Cannon Michael, a Los Banos, CA, producer.
- expressed concern to the Agriculture Secretary's office over the delay in granting Bayer CropScience's GlyTol™ cotton trait technology deregulation status – a step that helped speed the granting of that status- to allow for the limited release of varieties containing the trait before the end of the 2009 planting season.

## **Cotton Council International**

*Major activities carried out during 2009.*

Cotton Council International (CCI) continued working worldwide to build underlying consumer demand for products containing cotton, and U.S. cotton in particular. In 2009, CCI's COTTON USA activities reached hundreds of millions of global consumers.

China is the world's largest producer and textile mill consumer of cotton in the world. It continues to be the largest importer of U.S. cotton, with purchases of 3.9 million bales in the last marketing year. That is why CCI's largest program is in China, working on a full range of activities and services – from trade education to after sales services – and from consumer research to retail advertising and promotion. Participants in the leadership delegation exchanges between the China Cotton Association and the National Cotton Council, say that all of CCI's services are valued.





Among key China activities was the COTTON USA “Natural World” promotion that featured Chinese celebrities.

Key activities in China during 2009 included the “COTTON-BEYOND YOUR IMAGINATION” campaign; the COTTON USA “Natural World” promotion includes licensees and celebrities; the U.S. cotton booth at the Intertextile Home trade show in Shanghai; and the China Cotton Association leaders’ visit across the U.S. Cotton Belt.

Northeast Asia remains both a huge market for finished cotton products and a large destination for direct U.S. fiber exports. Japan is the second largest consumer market in the world, making CCI’s consumer promotion efforts for cotton and COTTON USA branded products vital for drawing U.S. fiber through the cotton supply chain. In addition, Japanese, Korean and Taiwanese spinning, manufacturing and retail interests control many decisions in the broader Asian

region that determine whether the consumer will be offered cotton or synthetic fibers, and where those fibers will be sourced.

Activity highlights in this region included: High Cotton Day celebrations spotlighting the world’s favorite fiber; a TV program featuring U.S. cotton that created 2.4 million consumer impressions in Japan; the Golden Melody Awards in Taiwan that encouraged consumers to “Love Music & Cotton;” and Taiwan’s apparel makers and retailers connecting with the fashion industry at Taipei IN Style.

Southeast Asia is an increasingly popular sourcing destination for major international brands. CCI’s Export Promotion Committee has identified Thailand, Indonesia and Vietnam as among a handful of countries with the best export growth potential for the next five years. CCI also expanded its consumer promotions of cotton in India, a country with a fast-growing economy and the second largest population, behind China. In a major breakthrough, the cotton industries

of India and China both announced in 2009 that they would begin consumer promotion of cotton products within their domestic markets - a major potential boost to underlying global cotton demand.

Key activities in this region included: the Buyers Tour to Indonesia that created trading relationships with customers in Indonesia, Vietnam and Thailand; Thailand's celebration of its first Cotton Day event; and Indian cotton campaigns that increased consumer awareness of cotton versus synthetics.

Turkey is U.S. cotton's second largest cotton export market after China, at about 1.8 million bales last year. U.S. cotton has a market share of 61 percent in Turkey. CCI, Cotton Incorporated and the U.S. industry have been very active in that country for years using promotion tools such as trade servicing, technical support, GSM credit guarantees and COTTON USA supply chain marketing efforts. Turkey will continue to be a priority market for CCI for years to come.

Activities in this important country included: buyers meeting Turkish suppliers of U.S. cotton-rich products during a CCI tour; CCI's promotion of U.S. cotton home textiles at Evteks; Turkey's leading textile/garment manufacturers learning about lean manufacturing; and CCI and Cotton Incorporated hosted sustainability seminars.



**CCI President Clyde T. Sharp, who led a COTTON USA Executive Delegation in Latin America, inspects a yarn spinning operation.**

Western Europe represents one of the world's largest consumer markets, and CCI focuses on building relationships with brands and retailers, with particular attention to the United Kingdom, Germany and Italy. CCI also worked to reinforce the positive message about cotton and the environment, with special emphasis on the leadership of the U.S. industry in sustainable, environmentally-sound practices throughout the supply chain.

Special activities in this sector included: U.S. cotton booths at European trade shows that promoted COTTON USA; retail sales promotions in Germany that encouraged consumers to purchase COTTON USA-labeled products; COTTON USA cabs giving rides during London Fashion Week; a U.S. Vogue representative attending a COTTON USA-sponsored show during London Fashion Week; and CCI's sustainability conference in Budapest.

The Western Hemisphere consistently has ranked in the top three export markets for U.S. cotton since CCI launched the Sourcing Program in 2000. That's a major reason why the COTTON USA Executive Delegation went to Colombia, Peru, El Salvador and Mexico. The U.S. cotton industry simply cannot be successful in this business without good customers in this hemisphere, whether in Central America, South America or North America.

In addition to the Executive Delegation, featured activities included: nine U.S. textile mills showcased at the Apparel Sourcing Show; the Sourcing Program visit to U.S. manufacturers by Korean knitters and apparel makers with operations in Central America; the Western Hemisphere Manufacturers Tour that brought yarn and fabric buyers to the United States; CCI-developed business connections for U.S. cotton at Colombiatex, Colombiamoda and Perumoda; and a COTTON USA T-shirt design contest in Colombia to generate consumer excitement.

The United States is no stranger to the COTTON USA Mark. There is increasing interest among companies in this hemisphere to use the COTTON USA ingredient brand in their U.S. marketing. Imported goods make up the largest portion of U.S. net domestic consumption, but a significant portion of imported goods contain U.S. cotton.

An important development was Gildan and Crafts Americana joining the COTTON USA license program requiring that 100 percent of the cotton in their labeled product be of U.S. origin.





**A COTTON USA Orientation Tour participant looks at U.S. cotton lint samples at the USDA cotton classing office in Bartlett, Tennessee.**

Worldwide, the Celebration of the International Year of Natural Fibers in 2009 was a

great opportunity to bring attention to cotton and stimulate global consumer demand for natural fibers. Outstanding activities included: a CCI-organized T-shirt design competition in ten countries and the Orientation Tour that brought textile manufacturers from Asia, Latin America and Europe to U.S. Cotton Belt.

## The Cotton Foundation

*Major activities carried out during 2009.*

The Cotton Foundation continued its important role in industry members' quest for profitability by funding new and assisting in ongoing research and education efforts.

The Foundation's agribusiness members contributed dues of \$322,000 in support of 25 general research and education projects. These projects include studies related to pest management, ginning, fiber quality, agronomic practices, plant breeding, education, and textiles.

U.S. cotton is enjoying a healthy return on investment from these efforts, too. National Cotton Council 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.



**Viewing a West Texas cotton field are the 2009 Multi Commodity Exchange Program (MCEP) recipients from left: Mike Clemens, Wimbledon, ND; Brad Warren, Keenesburg,**

CO; Kody Bessent, Amarillo, TX; Joe Steiner, Mason, OH; Cassandra Schley, St. Louis, MO; and Brad Doyle, Weiner, AR. MCEP is a Foundation special project.

Some Foundation members continue to go above and beyond their dues support by channeling funds toward

special projects – efforts that are helping the NCC address industry’s needs.

One of those endeavors, “Vision 21,” features three project phases -- which cover detailed demographic consumer studies in China and India, cotton life cycle analysis, and cotton flow research. Anticipated completion is late 2010.

The Herbicide Resistant Weeds project has completed a learning module and an educational video. Technical training material was developed to aid in detection and management of resistant weeds as well as proactive training for locations with no known herbicide resistance problem to date.

Not to be overlooked is the Foundation’s important infusion of help with vital NCC communications vehicles, including the *Cotton’s Week* newsletter, *AgDay Cotton’s Week* and the *Cotton eNews* electronic newsletter. The Foundation also stepped up its support of the NCC’s web server making it possible for the NCC to post multiple cotton-related educational materials, including streaming video.

Through the years, the Foundation consistently has provided targeted assistance to short- and long-term industry priorities and needs. The Foundation has proven to be a particularly flexible and resilient 501(c)3 organization – even during periods of economic downturn. From the producer standpoint, it is assuring to know that U.S. cotton can rely on such a solid underpinning as it seeks to thrive in today’s highly competitive fiber market.



Greg Frey, Farm Press publisher; far left, congratulates the 2010 High Cotton award winners from left: Allen Pierucci, Buttonwillow, CA; Jeff Posey, Roby, TX; Jimmy Hargett, Bells, TN; and Mike Griffin, Suffolk, VA. The Foundation has supported this awards program since its inception 16 years ago.



# Video Staff Report

<http://www.cotton.org/about/report/2010/foundation.cfm>