

2014 National Cotton Council Report to Members

This Report To Members Highlights Major NCC action In 2013.



The National Cotton Council communicates united industry positions on various issues to appropriate government bodies in our nation's capital, and works for U.S. policy that assures worldwide competitiveness and protects member's income. The NCC has compiled an impressive record of advocacy for an industry who

Joint Message from the Chairman and the President

Throughout 2013, the National Cotton Council (NCC) and other commodity organizations communicated strong support for enactment of a new, comprehensive farm bill. An extension of farm law was opposed, though, because long-term planning would have been hampered and it

was very possible Brazil would have retaliated for failure to resolve the longstanding World Trade Organization (WTO) case.

The NCC consistently emphasized the importance of having regional and commodity balance in Title I programs. We urged farm bill conferees to remove draconian changes to the way program eligibility is determined and made known our opposition to the reinstatement of unworkably low limitations on total program benefits. We also conveyed to Congressional members the urgency of approving the cotton industry's proposal for a new, enhanced crop insurance program and extension of the marketing loan and the Economic Adjustment Assistance Program for domestic textile manufacturers.

Timely communication with our members regarding farm bill development was ongoing, just as in 2012. That included posting of documents in the Farm Bill area of the NCC's website, www.cotton.org. A new creation on that site was a Congressional Staffers area to apprise them of the NCC's positions on farm policy as well as on trade, appropriations and regulatory issues.

The NCC, in fact, was heavily involved in a number of pressing trade matters. Among those were international contract defaults, the Trans-Pacific Partnership negotiations and the Peruvian countervailing duty investigation, which resulted in a favorable outcome for U.S. cotton. The WTO Doha negotiations required our presence in Geneva to monitor the developments leading up to the December ministerial in Indonesia.

The NCC also was heavily involved on such important legislative concerns as fiscal year 2014 appropriations and immigration reform.

Another challenge was the need for intensive monitoring of a wide range of regulatory issues from clean water permits and pollinator protection to spill prevention and OSHA rulemaking. The NCC also focused on the federal approval of new biotech crops, joining with other agricultural groups in emphasizing the need for new traits to fight resistant weeds.

The NCC's issue-oriented committees and task forces were invaluable in addressing threats to the industry's health. For example, the Performance and Standards Task Force was re-appointed and a special working group was formed to continue the industry's efforts to improve cotton flow.

As the NCC's export promotion arm, Cotton Council International (CCI) elevated its programs and service to our fiber's worldwide customers, and expanded foreign demand for U.S. cotton. Those efforts were bolstered by CCI once again being the largest recipient of combined Foreign Market Development (FMD) and Market Access Program (MAP) allocations.

The NCC joined with CCI and Cotton Incorporated to advance U.S. cotton's sustainability message through close involvement in Field to Market and the launch of the Cotton LEADS™ initiative.

The Cotton Foundation's trustees approved funding 23 general research projects totaling \$327,589. Among those projects receiving support are studies related to pest management, herbicide resistance, fiber quality, agronomic practices and education.

Two Foundation special projects reached milestones in 2013. The Producer Information Exchange celebrated 25 years and the Policy Education Program realized its 15-year anniversary. The first class of the new Emerging Leaders Program also was chosen.

Additional details of the NCC's 2013 activities in all of these arenas are described below under the major headings of Farm Policy, Trade, Communications, Technical, Cotton Council International and The Cotton Foundation.



Jimmy Dodson
Chairman (2013)



Mark Lange
President/Chief
Executive Officer

Farm Policy/Legislative Affairs

Major activities carried out during 2013.

Farm Legislation

Early in 2013, the NCC joined with 13 general farm and commodity organizations on a letter to Senate Majority Leader Harry Reid (D-NV) expressing deep concerns regarding his introduction of the farm bill component of the American Family Economic Protection Act. That plan would have terminated Direct Payments beginning in 2014 thereby substantially reducing the budget resources available to the respective agriculture committees to write a new multi-year farm law.

In April, the NCC distributed a statement to news media stating that farm policy should maintain the underlying structure of the proposed insurance product known as the Stacked Income Protection Plan (STAX). The statement noted that the U.S. cotton industry also must devise policy that will resolve the World Trade Organization (WTO) dispute with Brazil.

A notable event was a meeting with Senate Agriculture, Nutrition & Forestry Committee Ranking Member Thad Cochran (R-MS) to discuss the cotton title and the importance of the Economic Adjustment Assistance Program (EAAP) for domestic textile manufacturers for that committee's farm bill draft. EAAP was subsequently included in Chairwoman Debbie Stabenow's (D-MI) farm bill mark.

The NCC expressed appreciation to leaders and members of the Senate and House agriculture committees for moving those panels' respective farm bills – the Agriculture Reform, Food and Jobs Act of 2013 (S. 954) and the Federal Agriculture Reform and Risk Management Act of 2013 (FARRM, H.R. 1947). The letters specifically conveyed appreciation for the inclusion of cotton industry priorities, among them: STAX, transition payments to assist growers and their lenders until STAX can be fully implemented, and provisions that should resolve the longstanding Brazil WTO case.

In advance of FARRM's House floor consideration, NCC joined a coalition of commodity, general farm and agribusiness organizations that worked with House leaders to build support for bipartisan approval of FARRM. Among specific activities were: 1) a NCC statement distributed to the news media saying the bill would save nearly \$40 billion in mandatory funds while providing reforms to farm policy and 2) a coalition letter to all House Members and a NCC letter to House Cotton Belt Members – both of which urged passage of that legislation by September.



NCC Chairman Jimmy Dodson met with Rep. Rick Crawford (R-AR) and other key House leaders seeking to build support for bipartisan approval of FARRM.

Unfortunately, the House failed to approve FARRM, prompting the NCC to express its deep disappointment and urge House leaders to allow the bill to be reconsidered by the full House so that a Conference Committee could resolve differences between their respective bills and a new farm law could be enacted before the expiration of current law. The NCC also joined a 532-member coalition of America's agriculture, conservation, rural development, finance, forestry, energy and crop

insurance companies and organizations in sending a letter to House Speaker John Boehner (R-OH) strongly urging him to quickly bring H.R. 1947 back to the floor.

After the House approved a "farm bill-farm bill," a measure that did not include a nutrition title, the NCC issued a statement in which Chairman Jimmy Dodson urged leaders of the House and Senate agriculture committees to work expeditiously to resolve the differences between their

respective farm bills so that Congress could take final action and the President sign the legislation.

In November, after farm bill conferees were named, the NCC urged prompt enactment of comprehensive farm legislation in advance of the WTO Ministerial meeting in Indonesia in early December -- to head off efforts by the sub-Saharan cotton producing countries and Brazil seeking further action on cotton and export financing programs as part of the Ministerial agreement.

The Farm Bill Conference Committee completed their report and it has been approved by the House and Senate. The legislation now awaits enactment by the White House.

In other farm policy activity, the NCC:

Sent a letter to USDA's Farm Service Agency (FSA) Administrator Juan Garcia conveying appreciation for the release of farm program payment funds, which had been frozen due to budget sequestration. The letter also requested a date for the release of EAAP funds, which had been similarly placed on hold due to budget constraints, as well as an explanation of possible payment reductions.

Joined rice, peanut and sugar groups in a meeting with USDA officials to ask that sequestration not be applied to the 2013 crop marketing assistance loans and that alternative methods to achieve savings be identified. The NCC also urged USDA to accelerate action necessary to clarify rules for redeeming cotton as well as to complete the software modification and begin processing loans as quickly as possible.

Thanked USDA after the agency announced in October that it had begun distributing Conservation Reserve Program (CRP) annual rental payments and that it would begin distributing 2013 Direct Payments and 2012 Average Crop Revenue Election program payments that month.

Posted on its website new fees for the GSM-102 export credit guarantee program announced by USDA that would apply to applications filed after May 10, 2013. The new fees were necessary under terms of the U.S.-Brazil Framework Agreement because utilization exceeded the threshold in the agreement.

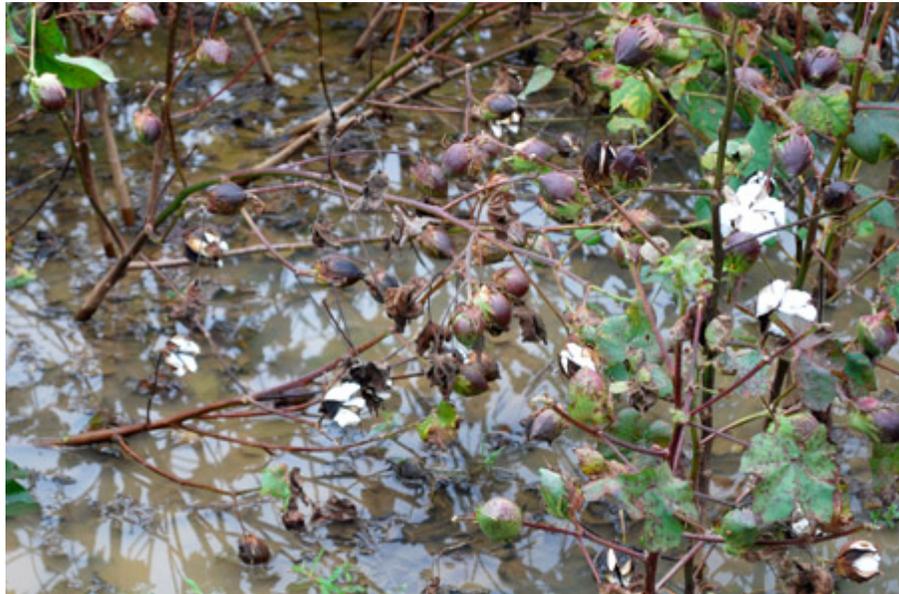
Welcomed the appointment of Jason Weller as chief of USDA's Natural Resources Conservation Service and said it looked forward to working with him on conservation issues important to the U.S. cotton industry.

Legislative Affairs

The NCC contacted all Cotton Belt Senate offices and joined with 39 other agricultural organizations on a letter to the Senate Majority and Minority leaders – to convey opposition to an amendment to a FY14 budget plan developed by Senate Budget Committee Chairwoman Patty Murray (D-WA). The amendment, offered by Senators Jeff Flake (R-AZ) and Mark Begich (R-

AK), would have required USDA's Risk Management Agency to release certain crop insurance information. In its correspondence, the NCC noted that 1) many producers across the country have faced two years of severe drought and have survived due to federal crop insurance and 2) any amendment that could reduce participation in the program should be opposed. The NCC also noted that federal crop insurance is under the jurisdiction of the Senate Agriculture, Nutrition & Forestry Committee and this type of policy change is significant and deserves a thorough examination through the reauthorization of a farm bill.

The NCC joined more than 40 other agricultural organizations on a letter to the House and Senate agriculture committees' leadership urging the continued support of crop insurance. The letter, which also was sent to the full House and Senate membership, noted that "federal crop insurance provides an effective risk management tool to farmers and ranchers of all sizes when they are facing losses beyond their control, reduces taxpayer risk exposure, makes hedging possible to help mitigate market volatility, and provides lenders with greater certainty that loans made to producers will be repaid."



The NCC urged continued support of crop insurance as an effective risk management tool for farmers and ranchers who can face losses beyond their control.

Later, the NCC joined 43 other agricultural organizations in cosigning a letter to Senate Agriculture Committee Chairwoman Debbie Stabenow (D-MI) and Ranking Member Thad Cochran (R-MS) supporting crop insurance and opposing provisions that would limit its effectiveness.

The letter stated that insurance products offered through federal crop insurance are essential to food security, allowing farmers and ranchers to secure operating capital from lenders each year and produce food for consumers around the world.

All immigration reform proposals were monitored. The NCC joined a broad coalition of agriculture organizations on a letter to House Speaker John Boehner (R-OH), Minority Leader Nancy Pelosi (D-CA), Senate Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY) encouraging them to support immigration reform that addresses agriculture's

unique workforce needs. The Agriculture Workforce Coalition letter also cited the essential need for securing a reliable agricultural workforce not only for farmers but for the U.S. economy.

The NCC posted on its website a summary of "The Border Security, Economic Opportunity, and Immigration Modernization Act of 2013," an immigration reform bill that was unveiled in the Senate and that included workforce requirements for producers with seasonal and year-round labor needs. Before the bill was approved by the Senate, the Later, the House Judiciary Committee approved the Agricultural Guestworker "AG" Act (H.R. 1773) -- a bill that would replace the current H2-A visa program with a new H2-C visa. The NCC then joined nearly 100 other agriculture organizations on a letter to each Representative urging them to support passage of immigration legislation that addresses the labor crisis facing American agriculture.

The House Appropriations Committee approved the FY14 Agriculture Appropriations bill that provided \$12.2 million to the Animal & Plant Health Inspection Service's Cotton Pests account for continuing the cost share for boll weevil and pink bollworm eradication. The Senate Appropriations Committee also approved its FY14 Agriculture Appropriations measure that provides \$12.7 million in cost share funding, as requested by the cotton industry, for the Cotton Pests account.

After the Commodity Futures Trading Commission (CFTC) adopted a new customer protection rule, the NCC joined with a coalition of other agricultural groups in sending two letters to the CFTC and participating in several calls with CFTC staff. Concern was expressed that this new interpretation of longstanding law under the Commodity Exchange Act would significantly increase costs for both customers and futures commission merchants, thereby reducing their ability to utilize and administer futures contracts as effective risk management tools.

In other legislative activities, the NCC:

Noted that U.S. agriculture will lose "a true champion" in Senator Saxby Chambliss (R-GA) not running for 2014 re-election, as he "has been extraordinarily responsive to the concerns of production agriculture, including cotton."

Conveyed support in comments submitted to USDA for maintaining the 2013 crop cotton classification user fee at the 2012 level of \$2.20/bale.

Discussed with officials of USDA's Risk Management Agency a range of topics related to cotton crop insurance products as well as STAX details.

Trade

Major activities carried out during 2013.

World Trade Organization (WTO)

The NCC urged Congress to adopt new farm legislation that contains cotton provisions that would resolve the Brazil WTO case and eliminate Brazil's retaliation threat.

NCC Chairman Jimmy Dodson met with the U.S. Trade Representative's (USTR) office, USDA and House/Senate leaders to advise that the U.S. and Brazilian grower organizations had agreed to recommend settlement of the case provided the new farm bill includes STAX without a reference price and a further modification of the marketing loan. The agreement also 1) included a statement of support for continuation of the transfer of funds to the Brazilian Cotton Institute for 18 months following enactment of new farm legislation and 2) established a protocol for future cooperation between the U.S. and Brazilian industries on promotion, insect eradication efforts, sustainability and classing.

The U.S. and Brazilian governments held a videoconference meeting mid-year to review the GSM program modifications and U.S. proposal to resolve the dispute relative to GSM. In early August, a delegation including Secretary Tom Vilsack and Senators Debbie Stabenow (D-MI), Roy Blunt (R-MO) and Heidi Heitkamp (D-ND) visited Brazil. During the meetings with Brazilian agriculture and trade ministers, Secretary Vilsack advised them that the September transfer to the Brazilian Cotton Institute would be reduced by \$7 million to comply with sequestration and that he did not have authority to make payments beyond September 2013. Technically, the failure to enact a new farm bill and the termination of the transfer payments meant the United States had terminated the Framework Agreement and Brazil would be authorized to retaliate within 21 days of the formal termination.

During a December meeting of the Brazilian government agency, CAMEX, it was announced that it will postpone until February 28 a decision on whether to initiate retaliation against U.S. exports.

Regarding the Doha Round of WTO negotiations, NCC staff continued to work with the USTR and the U.S. agriculture counselor and trade representative in Geneva to make certain cotton did not become a candidate for an "early harvest" agreement. During a Ministerial held in Indonesia late in 2013, a small package of trade concessions was approved that included a trade facilitation agreement. The agreement would make it easier and cheaper to move goods around the world by cutting red tape and improving customs procedures. The Ministers also approved a document concerning cotton policies and objectives of future discussions. Among a number of other points, the document reaffirmed the 2005 Hong Kong Ministerial declaration on cotton and stressed the importance of cotton to a number of developing country economies. In addition, the cotton document emphasized that future discussions will consider export subsidies, domestic support, tariff measures and non-tariff measures by all countries.

A NCC delegation to Geneva, including Chairman Jimmy Dodson and President/CEO Mark Lange, met with trade ambassadors from China, Brazil and West Africa in Geneva as well as with Dave Shark, chargé d'affaires, U.S. Mission to the WTO, and WTO Deputy Directors Harsha Singh and Rufus Yerxa. The trip was timed to coincide with the WTO Cotton

Development assessment in June, and the meetings provided the NCC delegation the opportunity to highlight the drastic changes in the world cotton market over the past five years.

In a meeting with John Adank, chairman of the WTO Special Session on Agriculture, Dodson and Lange underscored the importance of the proposed changes to U.S. cotton policy supported by U.S. and Brazilian cotton growers. Also discussed were the possible outcomes of the upcoming WTO Ministerial Council scheduled for December 2013 in Indonesia. The NCC representatives emphasized that the reduction in support in the proposed U.S. cotton policy should be recognized in the WTO.



The NCC conveyed to WTO representatives that cotton's loss of market share in the world fiber market was a cause for concern for all cotton growers.

Chairman Dodson informed the WTO representatives that cotton's loss of market share in the world fiber market was a cause for concern for all cotton growers. He noted that this adds to the difficult circumstances faced by West African cotton producers with declining yields and rising costs. He also noted that the NCC has sought continued funding for the West African Cotton Improvement Program and has supported the travel of Cochran

Fellows from the West African countries as part of its continued outreach.

The NCC delegation also met with the trade ministers and representatives of Burkina Faso and the other West African cotton producing countries. These officials noted that the presence and concern of U.S. cotton leaders for the WTO Cotton Day brought needed attention to West African growers' plight.

CVD Investigation and Trade Negotiations

After a Peruvian government agency initiated a preliminary investigation into whether U.S. cotton subsidies resulted in financial injury to the Peruvian cotton industry, the NCC stayed in constant communication with all relevant U.S. agencies as well as U.S. merchants and marketing cooperatives. NCC staff briefed the Peruvian Ambassador to the United States and Congressional staff to apprise them of the risks this countervailing duty (CVD) case posed to continued trade between the United States and Peru.

Early in 2013, the NCC submitted additional comments to the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) reinforcing the NCC's original analysis and signaling the NCC's continued engagement. House Agriculture Committee Chairman Frank Lucas (R-OK) and Ranking Member Collin Peterson (D-MN) sent a letter to the USTR's office pressing them to vigorously defend U.S. cotton interests in the investigation.

An "Essential Facts" document -- on which a final decision regarding the CVD investigation was to be made -- was released in mid-year. The NCC then submitted comments to INDECOPI and NCC staff/counsel travelled to Lima a second time to participate in the final hearing and provide further comments to INDECOPI.

Late in the year, INDECOPI announced that it chose not to impose a CVD saying it found no causal link between the imports of U.S. cotton fiber and Peruvian cotton farmers' economic situation. The NCC welcomed the decision and in a statement said that as agreed to in the U.S.-Peru Free Trade Agreement, "trade in cotton and textile products between the United States and Peru may again proceed without the threat of a CVD." Following the required waiting period after the decision, it was announced that there were no appeals and the investigation is officially closed.

Regarding the Trans-Pacific Partnership (TPP) negotiations, the NCC strongly supported the domestic textile industry's position insisting that the TPP include a rule of origin that is the same as the rule in existing free trade agreements (yarn forward) so that the substantial volume of trade built between the United States and the Western Hemisphere is not severely reduced.

Given the critical importance of the rule of origin being included in any eventual TPP agreement, the NCC supported the National Council of Textile Organizations' (NCTO) effort to have 125 Congressional signatures on a letter to the Administration urging support for a yarn forward rule in the final TPP. The letter from the Representatives to Acting USTR Demetrios Marantis expressed specific concern with the Vietnamese government's position regarding the textile negotiations and the impact this could have on the U.S. textile industry's suppliers/export partners.

Ahead of mid-July TPP negotiations in Kuala Lumpur, a letter co-signed by 167 House Members from 34 states was sent to the USTR Ambassador Michael Froman urging inclusion of strong rules of origin for textile and apparel products in the TPP trade agreement. The letter noted that, "The yarn forward rule has been a success because it ensures that only textile and apparel manufacturers within a particular free trade region, such as the proposed TPP, gets the benefits from the agreement. Vietnam is seeking to replace this proven rule with a new one that would allow its state-owned industry to flood the U.S. market using subsidized Chinese inputs."

Following the Brunei round of negotiations in August, the NCC reiterated its support of the U.S. textile industry's efforts, including generating signatures on a letter sent from the House urging the USTR to insist that a yarn forward rule of origin be required for products to be granted preferential access to the U.S. market.

Contract Defaults

The NCC organized meetings with USTR, USDA, the State Department and key Cotton Belt Congressional staff where representatives from the American Cotton Shippers Association (ACSA) and AMCOT presented data concerning massive defaults on contracts for U.S. cotton by mills in 19 countries. As a result, U.S. embassies in selected countries received instructions to convey the concerns of the U.S. government to relevant foreign agencies and organizations. The

NCC also organized meetings with USTR Ron Kirk, USDA Secretary Vilsack and Department of State Under Secretary Robert Hormats to request that they convey their concerns to their colleagues from countries with mills in default. The NCC urged the U.S. government to consider withholding trade preferences for countries that have mills in default.

The NCC also encouraged inclusion of a reference to the importance of contract sanctity in any legislation that provides Trade Promotion Authority. The Senate's FY14 State, Foreign Operations Appropriations bill included the following report language added by Senator Thad Cochran (R-MS): "The Committee notes that the drop in the world cotton price resulted in default, or risk of default, for some U.S. cotton contracts, and that in some countries legal redress may be lacking. Therefore, the Committee requests the Secretary of State to report on the extent of such risks on a regional basis, and including actions taken by the governments of Vietnam, Bangladesh, and Thailand to address such defaults, and an assessment of respective judicial systems to resolve cases in a fair and impartial manner."

Representatives of ACSA, AMCOT and the NCC later met with USTR Michael Froman, who succeeded Kirk. They thanked him for the support the U.S. government given to the issue and urged him to raise the issue during the forthcoming TPP negotiations as Vietnamese mills had defaulted on significant volume of contracts.

Asia

CCI's 2013 COTTON USA Executive Delegation updated 34 members of the Thai textile industry on the latest developments related to cotton production, trade and policy. The delegation, comprised of nine experts representing the U.S. cotton industry's seven segments, conducted a seminar that offered insights on U.S. and world cotton supply and demand, contract sanctity, risk management, current U.S. farming practices and international trade policy issues. Delegation members

included: CCI President John Burch, American Cotton Shippers Association (ACSA) Chairman Eduardo Esteve; ACSA First Vice Chairman Anthony Tancredi; American Cotton Producers (ACP) Chairman Clyde Sharp; ACP Co-Chairman for TX Craig Heinrich; AMCOT representative Hank Reichle and Marc Lewkowitz, Supima.



A COTTON USA Executive Delegation, led by CCI President John Burch (front row third from right), briefed Thai textile industry members on cotton production, trade and policy developments.

NCC President/CEO Mark Lange presented testimony on cotton trade with China and the impacts of China's cotton policies before the U.S.-China Economic and Security Review Commission at a hearing in Iowa. He stressed the importance to U.S. cotton of open and transparent market access, noting that China stands in stark contrast to other cotton-importing countries by closely controlling their imports. He also testified that while China's build-up of government stocks has provided some short-term support to world prices, the longer-term implications of the policies are very concerning. Lange and Chairman Dodson's trip to Geneva afforded the opportunity to discuss China's policy structure with U.S. and WTO officials.

Late in the year, a NCC senior executive group was dispatched to the U.S.-China Cotton Policy Forum in Beijing. The team included: Mark Lange, president/CEO; Gary Adams, vice president, Economics & Policy Analysis; Kevin Latner, vice president, Foreign Operations/executive director, CCI; and Karin Malmstrom, CCI China Director. The event, organized by the China Cotton Association, fostered the sharing of historical U.S. cotton policies and experiences in solving relevant problems associated with the U.S. cotton industry.



A NCC senior executive group at the U.S.-China Cotton Policy Forum in Beijing included: Mark Lange, president/CEO; Gary Adams, vice president, Economics & Policy Analysis; Kevin Latner, vice president, Foreign Operations/executive director, CCI; and Karin Malmstrom, CCI China Director.

In other trade activities, the NCC:

Joined onto a multi-industry group letter to the heads of the International Longshoremen's Association (ILA) and United States Maritime Alliance, Ltd. (USMX) commending them for extending the current contract and urging both parties to make every effort possible at reaching an agreement on a new

contract.

Conveyed its appreciation to USTR Ron Kirk after he announced he would depart that post in February 2013. In noting Kirk's accomplishments, Lange pointed to pro U.S. cotton efforts, including Kirk's strong stance in the WTO Doha negotiations against efforts to single out cotton for concessions outside of or in advance of a comprehensive agreement; negotiation of the framework agreement with Brazil, which postponed retaliatory actions against U.S. commercial interests; and steadfast defense of the yarn forward rule-of-origin in any trade agreement.

Met with USTR Michael Froman and Agricultural Trade Ambassador Isi Siddiqui. In the session, which included leaders of 15 major agricultural groups, Lange reviewed the U.S. cotton

industry's trade policy priorities -- including efforts to secure a successful outcome in the Peru countervailing investigation

Joined with AMCOT, ASCA and 18 other agriculture and financial trade associations in sending a letter to Commodity Futures Trading Commission Chairman Gary Gensler expressing concern over proposed customer protection rules affecting participants in the futures markets.

Communications

Major activities carried out during 2013.

Public Attitudes

The NCC consistently conveyed the industry's views on farm bill components and its position on numerous other legislative matters. That included arranging interviews with industry leaders and staff and issuing news releases, videos and radio news lines on farm bill legislation, trade negotiations and multiple regulatory and environmental issues.

The NCC, along with Cotton Incorporated, CCI and Cotton Australia, launched Cotton LEADS™, a program that is committed to responsibly-produced cotton. The program is committed to five core principles that are consistent with sustainability, the use



The NCC, along with Cotton Incorporated, CCI and Cotton Australia, launched Cotton LEADS™, a program committed to responsibly-produced cotton.

of best practices and traceability in the supply chain. The NCC coordinates the program under a Cotton Foundation special project and hosts the web site, www.cottonleads.org.

The NCC continued as an in-kind supporter of *America's Heartland*, the award-winning national television series celebrating American agriculture. The series, in its ninth season and aired on public television and the RFD-TV cable and satellite channel, educates consumers about the origins of their food, fuel and fiber.

In addition, the NCC continued its participation in FarmPolicyFacts.org. That initiative and "The Hand That Feeds Us" are committed to facilitating meaningful conversations with legislators and

consumers about how food and fiber is produced to ensure American agriculture's long-term success.

Information Services

The NCC escalated use of its website, www.cotton.org, to disseminate information to its members to help them compete in the global marketplace. For example, the NCC created a 2013 Farm Bill section at www.cotton.org/issues/members/farmbill/2012/index.cfm where testimony, analyses, talking points and other important documents were posted to assist members in tracking and in communicating industry priorities on that important legislation.



The NCC produced a DVD aimed at helping producers manage weed resistance.

A number of technical documents were developed and posted on the NCC's site, ranging from lint contamination prevention materials to background pieces for helping explain the Oil Spill Prevention, Control, and Countermeasure Program Plan. The NCC also updated its materials for helping producers manage weed resistance, including the production of a new video. Other videos were posted on such topics as boll weevil and pink boll worm eradication, while new videos were produced on such key issues as lint contamination prevention, round module safety and hazard communication.

Technical

Major activities carried out during 2013.

Regulatory

The NCC, along with 84 other organizations that included several cotton producer interest groups, signed on to a letter of appreciation to the co-sponsors of the Reducing Regulatory Burdens Act of 2013 (H.R. 935). The bill was identical to legislation in the 112th Congress (H.R. 872) that was passed by the House in 2011 and later approved by the Senate Committee on Agriculture, Nutrition and Forestry. H.R. 935 would amend the Federal Insecticide, Fungicide & Rodenticide Act (FIFRA) and the Clean Water Act (CWA) to clarify congressional intent and eliminate the requirements of a CWA permit for the use of FIFRA-registered pesticides. The bill was jointly referred to the committees on Agriculture and Transportation & Infrastructure.

The NCC and other agricultural groups believed these permits would impose a redundant and unnecessary regulatory and liability burden on pesticide applicators. They cited the permitting as a paperwork exercise that will provide no additional environmental protection but only result in additional regulatory costs for both states and pesticide applicators. They noted that pesticide users also would be subject to increased risk of litigation under the CWA's citizen suit provision.

Joining 161 other agricultural organizations, the NCC also was party to a letter to the Senate Agriculture, Nutrition & Forestry Committee expressing strong support for the inclusion of a provision in the 2013 farm bill that would overturn the 2009 court decision and eliminate the duplicative EPA regulation on pesticides. Senator Kay Hagan (D-NC) led a bipartisan group of 12 Senators in pushing for the provision's inclusion.



The NCC supported H.R. 935, legislation that would eliminate the duplicative requirements of a Clean Water Act permit for the use of registered pesticides under the Federal Insecticide, Fungicide & Rodenticide Act.

The NCC and seven other organizations -- because of the potential impact on agriculture-- were all granted status as interveners in the so-called "Megasuit" after the Northern California District Court dismissed this most recent and far reaching lawsuit on Endangered Species Act (ESA) consultation. Under the ESA, EPA is required to consult with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service (the "Services") when registering pesticides in order to participate in settlement discussions. In January 2011, the Center for Biological Diversity and the Pesticide Action Network (Plaintiffs) filed suit against EPA for failing to consult with the

"Services" regarding the effects of 306 registered pesticides on 216 endangered species throughout the United States (hence the name "Megasuit"). Of the listed pesticides, 17 are the most commonly used agricultural pesticides, such as 2-4D, aldicarb, atrazine, and methyl bromide and its alternatives. The court found that the plaintiffs must show a specific agency action – not just the ongoing agency discretion underlying pesticide registration – for each of the 382 pesticides. Also, the court held that where pesticide registrations are at issue, the FIFRA applies with regard to subject matter jurisdiction and that the plaintiffs needed to make specific pleadings supporting district court versus federal court as the proper venue. In 2013, the plaintiffs amended their complaint to focus on 50 pesticide groups (down from 382) and encompassing 78 chemicals.

The NCC continued to support legislation introduced by Rep. Rick Crawford (R-AR) -- the Farmers Undertake Environmental Land Stewardship (FUELS) Act (S. 496) -- that would alleviate the regulatory burden and costs of compliance with EPA's Spill Prevention, Control, and Countermeasure Program (SPCC) rule. The FUELS Act would raise the compliance threshold requirement to a more realistic and practical level and allow self-certification rather than requiring a detailed plan by a professional engineer.

The FY13 Continuing Resolution contained a provision, added by Senator James Inhofe (R-OK), that prohibited enforcement of the SPCC during the remainder of FY13 which ended on September 30, 2013. EPA had stated that the May 10, 2013, effective date for farms was still in force and the agency would enforce retroactively beginning on October 1, 2013. A version of the FUELS Act was included in the Water Resources Development Act of 2013 approved by the Senate, 83-14. The NCC earlier had sent a letter to Senators Inhofe and David Pryor (D-AR) conveying the cotton industry's support for their efforts to advance S. 496 by including it as an amendment in that act.

Later, the House Transportation and Infrastructure Committee approved two bills by voice vote - the Reducing Regulatory Burdens Act of 2013 (H.R. 935) and the Farmers Undertake Environmental Land Stewardship Act (the FUELS Act, H.R. 311). NCC staff, along with other agricultural groups, had been urging the farm bill conferees to maintain these bills' provisions in the final farm legislation.

Regarding food safety, the NCC alerted its members of new rules issued by the Food & Drug Administration (FDA). Because the FDA definition of food includes animal feed – ginners and cottonseed crushers/merchandisers must now register their operations with the FDA on a biennial basis.

The NCC also joined a number of other organizations on a Congressional letter opposing S. 809 and H.R. 1699, the Genetically Engineered Food Right-to-Know Act, respectively. If passed, the bill would require the FDA to mandate labels for food with genetically engineered (GE) ingredients, including food produced using genetically engineered seeds. NCC policy opposes mandatory labeling of GE foods on the grounds that it would violate a long-standing FDA policy to limit mandatory labeling except when there are substantial differences in the products such as nutritional value or allergens. The NCC also believes that such labeling would be used by anti-

biotech groups to steer consumers away from buying GE products and would have a negative impact on future technologies.

The NCC's Environmental Task Force (ETF) developed proposed changes to the current policies dealing with biotechnology covered by the NCC's Health, Safety, and Environmental Quality Committee. The recommendations followed a discussion on various biotechnology issues, including: 1) post-patent traits and the biotechnology industry's recent accord to deal with such traits; 2) international trade in cottonseed and cottonseed products; and 3) international approvals for biotechnology imports.

ETF members were kept updated on other issues, including the SPCC rule and the ESA as it relates to pesticide registrations, pollinators and the potential impacts of new transgenic traits in cotton and other crops.

Late in the year, the NCC submitted comments to the U.S. Fish & Wildlife Service requesting that the agency delay a decision on whether the Lesser Prairie Chicken should be listed as a threatened species under the ESA until more information is available on its resiliency and response to the numerous local, state and regional efforts underway to conserve and improve its habitat.



Mississippi cotton producer Patrick Johnson, Jr., a NCC Environmental Task Force member, conveyed the industry's views on the pollinator protection issue.

Pest Management

The NCC told American Honey Producers Association convention attendees that U.S. cotton was concerned with the level of attention being given to pesticides as a factor of declining bee colonies. It was noted cotton's environmental footprint has improved over time and the industry is interested in working with producers and beekeepers to identify

improvements at local levels rather than mandates that do not fit an individual production region's different needs.

The NCC attended a Project Apis m. (PAm) Honey Bee Health Summit, which included news media, beekeepers, commodity organizations and scientists from various federal and state institutions. PAm has infused more than \$1.5 million into bee research since 2006 to provide

growers with healthier bees resulting in better pollination and increased crop yields. The Council also participated with other stakeholders in a USDA Agricultural Research Service (ARS) Visioning Conference in Arizona. The purpose was to convey the research plans developed from stakeholder needs and concerns provided to ARS at the 2012 Honey Bee Health Conference.

Patrick Johnson, Jr., a Tunica, MS, cotton producer and member of NCC's Environmental Task Force and EPA's Farm, Ranch, and Rural Community Advisory Committee, conveyed the NCC's concerns with the honeybee/pesticide registration issue in a meeting with newly confirmed EPA Administrator Gina McCarthy and Agriculture Secretary Tom Vilsack.

Earlier, after a USDA/EPA study confirmed there were a wide range of causes for colony collapse disorder, a group of beekeepers and environmentalists filed an appeal against EPA for its registration of sulfoxaflo, which has been advocated by cotton specialists in the Mid-South for plant bug control. The NCC worked closely with EPA, beekeepers and the product's registrants to find workable solutions to these concerns.

EPA was supportive of a NCC proposal to conduct regional pilot projects in which farmers and beekeepers are surveyed to determine the cooperative management practices that they utilize. The NCC prepared and is currently conducting the survey.

Cotton Flow/Packaging

The 2013 NCC Joint Cotton Industry Bale Packaging Committee's (JCIBPC) Specifications for Cotton Bale Packaging Materials were approved by USDA for packaging 2013-crop cotton for Commodity Credit Corporation loan program purposes.

Chaired by California ginner Stan Creelman, the JCIBPC added a 20x8 woven polypropylene spiral-sewn bag and a ¾" by 0.055" PET strap for P600 or P361 Friction Weld Technology® Systems to the 2013 JCIBPC Specifications for Cotton Bale Packaging Materials. The JCIBPC granted requests for continued testing of two light-weight cotton bale bags, one woven polypropylene bale bag using a modified construction, an automatically formed, filled and sealed bale bagger using modified PE film and three compatibility test programs for PET strap. Compatibility test programs are based on a bale packaging specifications provision that requires PET strap manufacturers to not only provide strapping that meets or exceeds the current specifications for PET strapping but to demonstrate that the PET strap is compatible with patented z-weld friction technology® systems and P600 or P361 friction weld technology® strapping systems.

The NCC monitored the weekly bales made available for shipment flow reports and updated its "U.S. Warehouses Not Complying with Mandatory Reporting" page, www.cotton.org/tech/flow/whsnotrept.cfm. The NCC also submitted comments supporting the Commodity Credit Corporation's (CCC) proposed amendment to the regulations that affect how bales that are on shipping orders but not picked up by shippers are to be treated on subsequent weekly warehouse reports. The amendment, if finalized, would apply to all CCC-approved warehouses storing cotton.

The NCC joined with other organizations in sending several letters to both the United States Maritime Alliance, Ltd., the International Longshoremen's Assoc. and the Obama Administration encouraging negotiations to avoid a strike. The two sides subsequently voted to ratify a new six-year master contract.

The NCC, along with a number of U.S. cotton industry members and organizations, sent letters of support for Louis Dreyfus Commodities' Michael Symonanis, who was nominated to serve on the U.S. Department of Transportation's National Freight Advisory Committee.

Research/Education

Permanent Bale Identification (PBI) tags were used to track the plastics and other foreign materials found in some cotton bales back to specific gins and cotton farms. This was a catalyst for the NCC to escalate its awareness effort with producer and ginner organizations – to ensure these industry members remained focused on making sure the lint in cotton bales is contamination free. Continued focus also was placed on the importance of round module management from staging in the field through the safe and complete removal of the wrap that protects the seed cotton prior to ginning.

The NCC encouraged its producer members to reference "The Seed Treatment Stewardship Guide" available in PDF format at www.seed-treatment-guide.com. Compiled by the American Seed Trade Association and CropLife America, the industrywide initiative provides farmers and seed companies with critical information and up-to-date guidelines for managing treated seed effectively to further minimize the risk of exposure to non-target organisms.

On other technical issues:

The NCC cooperated with the National Cotton Ginners Association on the three 2013 Ginner Schools: Southwest Ginners School in Lubbock, TX; Western Ginners School in Las Cruces, NM; and the Stoneville Ginners School, Stoneville, MS.

Sledge Taylor, a Como, MS, producer/ginner, was elected chairman of the Universal Standards Advisory Committee at the 29th annual Universal Standards Conference. Among that panel's recommendations to the Secretary of Agriculture for consideration was adoption of cotton trash standards as a universal cotton standard. If approved, the instrument trash standard would serve as the official reference standard for the cotton trash measurements of percent area and particle count.



Permanent Bale Identification (PBI) tags can track contaminants found in some cotton bales back to specific gins.

Among members of USDA's Agricultural Air Quality Task Force members reappointed for the 2013-15 term were: Kevin Rogers, Arizona; Annette Sharp, Louisiana; Bryan Shaw, Robert Avant and Brock Faulkner, all of Texas; and Bill Norman, NCC vice president, Technical Services, Tennessee.

Cotton Council International

Major activities carried out during 2013.

CCI, the NCC's export promotions arm, continued to elevate U.S. cotton in the global marketplace. That success was made possible through CCI's adherence to a three-point plan that includes: 1) Supply Chain Development, 2) Brand and Retailer Promotion and Support, and 3) Developing Industry Partnerships.

With 15 offices covering more than 50 countries, CCI was bolstered by its receiving of \$17,426,33 in Market Access Program funding from USDA's Foreign Agricultural Service (FAS) as well as an FAS allocation of \$3,529,886 under the Foreign Market Development Program.

CCI also continued to garner support from the following partners: the NCC; Cotton Incorporated; the American Cotton Shippers Association; the American Cotton Marketing Cooperatives; the Committee for Cotton Research; the National Cottonseed Products Association; ICE Futures U.S.; Plains Cotton Growers, Inc.; San Joaquin Valley Quality Cotton Growers Association; Southern Cotton Growers, Inc.; Supima; USDA; U.S. cotton yarn and textile manufacturers; and COTTON USA Mark licensees worldwide.



The COTTON USA Orientation Tour's participants represented a million bales of U.S. exports.

CCI's highly successful demand-building activities in 2013 included multiple highlights:

The COTTON USA Orientation Tour's participants represented a million bales of U.S. exports.

The COTTON USA Sourcing Fair in Panama facilitated 700 meetings between buyers and sellers.

The CCI Executive Delegation into Asia enabled face-to-face interaction with major textile industry customers in Thailand, Indonesia and Vietnam. Led by CCI President John Burch, the event featured an orientation tour for rising sourcing contacts to the United States.

The COTTON USA Conference in Dubai included nearly 1,000 meetings that resulted in increased U.S. cotton fabric and garment sales.

CCI's Sourcing and Supply Chain Marketing programs were well received by U.S. cotton customers in Asia and were expanded there.

The CCI-hosted COTTON USA Chinese Yarn Buyers Tour in Jakarta to promote U.S. cotton-rich yarns produced by mills in Indonesia, Thailand and Vietnam led to numerous requests for the mills' U.S. cotton yarn samples.

U.S. cotton also was promoted at major global trade shows such as Texworld/PV, Heimtex and Colombiatex. CCI's sponsorship of Expotextil, the second largest textile show in Peru, gave COTTON USA a direct line to communicate COTTON USA's benefits to 22,000 attendees from Peru's textile and apparel sector.



The COTTON USA Sourcing Fair in Panama facilitated 700 meetings between buyers and sellers.

The U.S. mill tour to China and Hong Kong saw U.S. cotton yarn exports to China increase by 192 percent. The Special Trade Mission from China enabled major U.S. cotton customers -- mills representing 990,000 bales of U.S. cotton -- to see U.S. cotton industry operations.

The "Naturally Live Your Life Campaign" created large exposure of COTTON USA through different media platforms.

In Europe, CCI's presence was evident in the Hattric Dancing Jeans promotion in Germany that resulted in

81,600 COTTON USA Mark-labeled men's cotton trousers sold. The London Fashion Week public relations campaign in the United Kingdom generated a total consumer impact of 325 million people.

In northeast Asia, the Cotton Days promotion created 189.2 billion consumer impressions in Thailand, Japan, Taiwan and Korea. The “I Love Cotton” Promotion in Korea saw a year-on-year sales increase of 12 percent for Korean licensees. The FanFan Concert in Taiwan generated 16.6 million consumer impressions. Originally, Cotton Day was an opportunity to honor the United States’ best customers but it also has become a platform to inspire consumer demand.

In Southeast Asia, the COTTON USA Promotion with Cotton Doll compiled an earned advertising value of 48.5 times CCI’s investment.

In south Asia, the “Let’s Design” campaign produced estimated visibility among 859 million people in India while the COTTONSCAPE promotion reached 173.3 million people across that country.

In the Western Hemisphere, the COTTON USA and Girbaud Collection Launch counted more than 2,800 garments labeled with the COTTON USA Mark.

Looking ahead, CCI will enter its 60th year by taking advantage of ongoing partnerships with Cotton Incorporated, like the Global Lifestyle Monitor, and continue to look at increased cooperation as it reaches out to its brand and retail accounts. The two organizations also will continue to partner in furthering the COTTON LEADs program that was initiated to demonstrate to brands and retailers the responsibility and commitment of U.S. cotton producers.

CCI also is anticipating another successful Sourcing Summit after the 2012 event brought together 345 business leaders from the U.S. cotton fiber exporting community as well as senior textile mill executives from 22 countries. The 8th biennial event will be held in Phoenix in late 2014.

The Cotton Foundation

Major activities carried out during 2013.

The Cotton Foundation's trustees approved 23 general research projects funded by \$327,589 from Foundation agribusiness members' dues. Among projects receiving support are studies related to pest management, herbicide resistance, fiber quality, agronomic practices and education.



2013 Multi Commodity Education Program participants were (l-r): Terry Weckerly, Hurdsville, ND; Freddie Streit, Vernon, TX; John Weinand, Hazen, ND; Tim Bartram, Guthrie, OK; Dennis Johnson, Devils Lake, ND; Charlie Bumgarner, Great Falls, MT; Bob Beakley, Ennis, TX; Michelle Erickson, Broadview, MT; and Christy Birdsong (NCC General Counsel), Washington, DC.

Two Foundation special projects reached milestones in 2013. The Producer Information Exchange (P.I.E), sponsored by Bayer CropScience, celebrated 25 years and the Policy Education Program, sponsored by Syngenta, concluded 15 years. In addition, the High Cotton Awards program is celebrating its 20th year in 2014. The first class of the new Monsanto-sponsored Emerging Leaders Program also was chosen and participated in various activities.

The NCC and CCI joined with Cotton Australia and Cotton Incorporated as founding members of Cotton LEADS™ -- a Cotton Foundation special project aimed at raising awareness of the responsible growing practices among U.S. and Australian cotton producers. The initiative specifically is aimed at textile brands, retailers and manufacturers committed to sourcing cotton that is grown in a responsible and transparent manner. More information can be found at www.cottonleads.org.



2013 High Cotton Awards winners were from left: Clyde Sharp, Roll, AZ; Steven Beakley, Ennis, TX; Kenneth Hood, Gunnison, MS; and Danny Darnell, Hillsboro, AL.

The Cotton Foundation continued to support vital NCC communications

vehicles, including the *Cotton's Week* newsletter and the *Cotton eNews* electronic newsletter. The Cotton Foundation's underpinning of the NCC's web server made it possible for the NCC to post multiple cotton-related educational materials, including streaming video.

Video Staff Report

<http://www.cotton.org/about/report/2014/foundation.cfm>