

2019 National Cotton Council Report to Members



The Memphis-based National Cotton Council communicates united industry positions on various issues to appropriate government bodies 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 in which farms and businesses directly involved in the production, distribution and processing of cotton employ more than 125,000 workers and produce direct business revenue of more than \$21 billion. Accounting for the ripple effect of cotton through the broader U.S. economy, direct and indirect employment surpasses 280,000 workers with economic activity of almost \$100 billion.

This report is sponsored by Farm Credit.



Joint Message from the Chairman and the President

Throughout 2018, the National Cotton Council (NCC) addressed economic challenges facing the U.S. cotton industry.

Efforts on securing near-term assistance involved pursuing another gin cost-share program. The NCC also conducted regional informational conference calls and webinars regarding provisions of the 2018 Seed Cotton Program that Congress approved early in the year. Long-term stability also involved protecting the industry's farm policy priorities in the new farm bill as it was developed, debated and signed into law late in 2018.

The NCC was very active on the trade front, ranging from monitoring the development of the U.S.-Mexico-Canada Agreement to discussions regarding China's market access. The NCC also monitored the implementation of the Market Facilitation Program authorized by the Administration to help mitigate the economic effects of China's retaliatory tariffs.

The NCC worked to maintain federal funding for boll weevil eradication while coordinating an implementation strategy that will enhance boll weevil eradication efforts in Mexico. The NCC also coordinated the implementation of a plan for pink bollworm eradication transition to post-eradication status after USDA announced that insect pest had been eradicated from U.S. cotton-producing areas.

Increased social media use boosted the NCC's news and information dissemination, which included the posting of multiple items on the NCC's website, www.cotton.org.

A significant educational effort involved the distribution of a NCC-developed contamination prevention video to appropriate NCC members. Through its Quality Task Force, the NCC closely monitored incidences of lint contamination being reported by our textile customers. The NCC also hosted a "Contamination Summit" that brought together industry leadership, John Deere and TAMA representatives, and researchers to focus on educational and research programs directed at contamination detection and prevention.

Several priorities involved close coordination with EPA on regulatory matters. Among those were the NCC's engagement with EPA on a rewrite of the Waters of the U.S. (WOTUS) rule and with the agency, states and stakeholders to maintain the cotton registration/label for in-season use of labeled dicamba herbicides beyond 2018 and 2,4-D herbicides beyond 2021. The NCC also worked with the Food and Drug Administration, Congress, and state/regional gin associations to eliminate the requirements for cotton gins to comply with the new animal feed safety regulations.

At the Cotton Sourcing USA Summit, Cotton Council International (CCI) President Ted Schneider updated the 400-plus attendees on how the U.S. cotton industry intended to meet

its 2025 sustainability goals. The CCI-coordinated Summit was one of numerous CCI activities that played a pivotal role in expanding foreign demand for U.S. cotton fiber and cotton products. The NCC worked to maintain full support for the Market Access Program and Foreign Market Development program, as CCI continued to be the largest recipient of these federal marketing/promotion funds.

The Cotton Foundation Board of Trustees approved funding for 10 general research projects totaling \$197,000 for 2018-19. Included are studies related to pest management, sustainability, regulatory issue information gathering and education.

More details of the NCC's 2018 activities follow under the major headings of Legislative Affairs, Trade, Communications, Technical, Cotton Council International and The Cotton Foundation.

Ron Craft, Chairman (2018)

Gary Adams, President/Chief Executive Officer



Ron Craft
Chairman (2018)



Gary Adams
President/Chief Executive Officer

Farm Policy/Legislative Affairs

Major activities carried out during 2018

Legislative Affairs

Following Agriculture Secretary Sonny Perdue's announcement of a Cotton Ginning Cost Share (CGCS) program for a cotton producer's 2016 crop, the NCC issued a statement in which National Cotton Council (NCC) Chairman Ron Craft said, "The U.S. cotton industry strongly commends Secretary Perdue for his efforts to deliver much-needed marketing assistance for our nation's cotton producers." Craft noted that the CGCS would: 1) provide direct marketing assistance to producers, 2) help alleviate a portion of the economic conditions producers were struggling with and 3) help to fill the safety net void until the seed cotton program under the Agriculture Risk Coverage/Price Loss Coverage (ARC/PLC) was implemented beginning with the 2018 crop year.

Later in the spring, NCC Vice Chairman Mike Tate praised Secretary Perdue for 1) implementing the Cotton Ginning Cost Share (CGCS) program and 2) his support for maintaining seed cotton in the 2018 farm bill. That occurred during Secretary Perdue's tour of Sam Spruell's north Alabama farm where he participated in a roundtable discussion with producers and representatives from the NCC and the Alabama Farmers Federation. Tate and NCC President/CEO Gary Adams also expressed appreciation to Rep. Robert Aderholt (R-AL) for arranging that visit and for Aderholt's efforts in getting seed cotton included into the 2014 farm law as part of the supplemental disaster bill.



From left, NCC Vice Chairman Mike Tate, Agriculture Secretary Sonny Perdue, Rep. Robert Aderholt (R-AL), and NCC President/CEO Gary Adams toured Sam Spruell's north Alabama farm and participated in a roundtable discussion with producers.

The NCC conveyed its support of the Senate's confirmation of Bill Northey to serve as USDA's Under Secretary for Farm and Foreign Agricultural Service and issued a statement saying

it was pleased with the Senate's confirmation of key officials in the Office of the U.S. Trade Representative (USTR). Those were: Gregg Doud as USTR Chief Agricultural Negotiator, Dennis Shea as Deputy USTR (Geneva) and C. J. Mahoney as Deputy USTR (Investment, Services, Labor, Environment, Africa, China, and the Western Hemisphere). The NCC earlier had signed

onto a letter with other commodity organizations and agribusiness companies urging prompt confirmation of these nominees.

The omnibus spending package approved by Congress to fund the government for the remainder of FY18 included full funding for the boll weevil and pink bollworm eradication programs. The package also included funding for the USDA Agricultural Research Service ginning laboratories' research and other programs important to the cotton industry, including \$1.25 million for research to address whitefly control in the Southeast for cotton and other crops.

The \$1.3 trillion bill, later signed by President Trump, also made changes (effective retroactive to January 1, 2018) to the previously-approved Tax Cuts and Jobs Act by including language to address the marketplace impacts of the Section 199A business income deduction. The NCC previously had urged Congress to address this concern by including a modified Section 199A provision in the omnibus bill.

Throughout consideration of the FY19 National Defense Authorization Act (NDAA), the NCC remained engaged in a stakeholder coalition to protect the Berry Amendment policy requiring the Department of Defense to purchase only U.S. content and U.S.-made apparel and footwear. That included a coalition letter to the House Armed Services Committee's chairman and ranking member urging rejection of any amendments that would have weakened the protections provided by the Berry Amendment. The Committee rejected those amendments when it later approved the NDAA.

The NCC joined with 15 other organizations on a letter to the Senate Appropriations Committee's Subcommittee on Financial Services in support of full funding for the Commodity Futures Trading Commission (CFTC). The letter emphasized that adequate funding is necessary for the CFTC to put in place the needed staff and resources to fully carry out its mission of ensuring the commodity futures markets are functioning properly to provide price discovery and risk management.

The NCC, along with several other industry groups, sent a letter to Senate Majority Leader Mitch McConnell (R-KY) and Senate Minority Leader Charles Schumer (D-NY) strongly supporting the nominations of Dawn DeBerry Stump and Dan Berkovitz as CFTC commissioners.



The NCC urged Congress to provide needed relief to cotton producers affected by Hurricanes Florence and Michael.

The NCC assessed the damages from Hurricanes Florence and Michael and worked with industry leadership in the affected areas in preparation for submitting recommendations to Congress regarding options to provide the needed relief to cotton producers and other crop producers. That included the NCC joining with

regional/state cotton organizations and state farm bureaus in the Southeast in sending a letter to leadership of the House and Senate agriculture committees and agriculture appropriations subcommittees. The letter, which requested an agricultural disaster relief package in response to the two hurricanes' devastation, noted the significant need that existed due to an estimated \$800 million plus in cotton losses in Alabama, Florida, Georgia, North Carolina and South Carolina.

As part of its ongoing work with Congress to advance an agricultural disaster package, the NCC encouraged support for letters that were sent late in the year to House and Senate leadership by multiple Representatives and Senators urging Congress to pass agriculture disaster assistance prior to adjourning.

Farm Policy

Following Congress' passage of a supplemental disaster bill early in 2018, the NCC issued a statement saying it greatly appreciated Members for approving the bill that included critically needed policy that restored eligibility for cotton in the Title I ARC/PLC programs of the 2014 farm law. The NCC issued a statement noting that it had worked for more than two years to get stabilizing policy in place in advance of the 2018 farm bill and that it would continue to work with Congress and the Administration to get a new farm bill enacted.

A few weeks later, the NCC hosted regional information conference calls/webinars regarding provisions of the recently authorized 2018 seed cotton farm program. The webinars, held for NCC members across the Cotton Belt, covered specifics such as examples of support levels under various price scenarios and examples of generic base conversion options. The NCC prepared and posted on its website a 2018 Seed Cotton Program Summary, a 2018 Seed Cotton PLC Payment Matrix and a Frequently Asked Questions document addressing

numerous questions received during the NCC webinars. Later, the NCC also: 1) posted answers to additional questions along with updates from USDA regarding the policy's implementation, 2) worked with USDA's Farm Service Agency to ensure the legislation was implemented consistent with Congressional intent and purpose, and 3) vigorously reminded producer members of the program's December 7, 2018, signup deadline. Throughout 2018, the NCC consistently expressed its support of farm law reauthorization.

One of the first actions was joining with 34 other agricultural and rural organizations on a letter to the leaders of the Senate and House agriculture committees urging them to reauthorize and fund the Farm and Ranch Stress Assistance Network in the 2018 farm bill. That program was established in the 2008 farm law to provide grants to extension services and nonprofit organizations which offer stress assistance programs to individuals engaged in farming, ranching, and other agriculture-related occupations.

Soon after, the NCC conveyed its appreciation of House Agriculture Committee Chairman Mike Conaway's (R-TX) introduction of the Agriculture and Nutrition Act of 2018 (H.R. 2). The NCC stated the bill continued several key policies important to cotton producers and the entire U.S. cotton industry. Among those were the centerpieces of the cotton safety net -- continuation of 'seed cotton' as a covered commodity eligible for the ARC/PLC program with the current reference price of \$0.367/lb., maintaining crop insurance options, and continuation of the upland cotton marketing loan program. The bill also would simplify how program limitations were applied and addressed a current concern with the overly narrow family member definition for program eligibility. Prior to the Committee's session to consider H.R. 2, the NCC and 45 other cotton organizations sent a letter to Chairman Conaway noting their support for his Committee's consideration of the bill. Simultaneously, the NCC prepared and posted on its website a summary of select H.R. 2 provisions for NCC members.

In mid-May, the NCC issued a statement in which it urged the House to approve H.R. 2 without any damaging amendments to farm policy. The NCC also joined onto two letters regarding the importance of maintaining sound policy in H.R. 2.

The first letter, from the NCC and 64 other agriculture, insurance and conservation organizations, urged House Members to oppose harmful amendments to crop insurance that would: 1) reduce or limit participation in crop insurance, 2) make insurance more expensive for farmers during a time of economic downturn in agriculture, or 3) harm private-sector delivery. Another letter to House Members from more than 300 agricultural, crop insurance and lending groups conveyed strong opposition to amendments that could hurt farm families.

Prior to the floor debate, the NCC also joined 30 other stakeholders in sending a letter to Chairman Conaway thanking him for his leadership in addressing regulatory issues in the 2018 farm bill's Title IX. Among the proposed improvements, which were important policy changes the NCC had been advocating, were: 1) corrections for requiring water permits for pesticide applications; 2) correcting the stalled endangered species consultation process that

slows pesticide registrations; 3) advancing states as co-regulators with federal agencies; and 4) reauthorizing private funding for EPA's registration review process for pesticides.



NCC Chairman Ron Craft, left, visits with Agriculture Secretary Sonny Perdue during the ceremony where President Trump signed 2018 farm legislation.

Following House passage of the Agriculture and Nutrition Act of 2018 by a 213-211 vote in June, the NCC issued a statement saying it strongly supported the farm policy provisions in that legislation and believed its passage was an extremely important and strong step toward providing much needed stability to the U.S. cotton industry. NCC Chairman Ron Craft stated that, "our industry is tremendously grateful for

House Agriculture Committee Chairman Mike Conaway's (R-TX) leadership in the development of this legislation and getting it to a successful vote in the House."

Prior to the Senate Agriculture, Nutrition & Forestry Committee's consideration and eventual approval of its version of the farm bill (S. 3042, the Agriculture Improvement Act of 2018), the NCC joined with 68 other organizations on a letter to that Committee urging support for the bill and opposition to any damaging amendments. In addition, the NCC coordinated a letter, led by Senators Johnny Isakson (R-GA) and Doug Jones (D-AL) with 12 other Cotton Belt Senators, to the Committee urging support for a balanced bill that protected cotton priorities -- including seed cotton in ARC/PLC, the Economic Adjustment Assistance Program (EAAP) and extra-long staple cotton provisions.

Because of amendments approved during that Committee's markup, the EAAP for U.S. textile mills was eliminated as well as cotton storage credits as part of the marketing loan program. As a result, the NCC, in conjunction with the National Council of Textile Organizations, continued a broad-based effort in the Senate to restore funding for EAAP as the bill proceeded to the Senate floor for consideration. NCC members were strongly encouraged to contact their Senators and urge them to sign a letter drafted by Senators Isakson and Jones that sought restoration of EAAP funding in S. 3042.

After the Senate passed its version of the 2018 farm bill (the Agriculture Improvement Act of 2018) in late June, the NCC issued a news release noting some serious shortcomings with the bill. The NCC stated that it looked forward to working with its supporters in the House and Senate throughout the conference committee process to achieve the U.S. cotton industry's policy priorities in the final legislation.

A letter to the leadership of the Senate and House agriculture committees and all 2018 Farm Bill Conference Committee members was sent from the NCC and 66 other cotton and related industry organizations. That letter outlined the key priorities and concerns for the cotton industry as Congress worked to resolve the differences in the House and Senate versions of the farm bill. The NCC joined onto another mid-August letter from a broad coalition of more than 150 agriculture, commodity, lending, conservation, nutrition, and rural organizations. That letter was sent to the chairmen and ranking members of the House and Senate agriculture committees urging completion of the new farm bill ahead of the September 30 expiration of 2014 farm law.

As a part of these efforts, Chairman Craft led a delegation of 12 other cotton industry leaders to Washington, DC, where they visited 40 Congressional offices, principally the farm bill conferees in both houses, to emphasize the industry's priorities and concerns in the House and Senate versions of the farm bill.

The NCC applauded Congress' final passage of the new farm bill in December. NCC Chairman Craft attended a December 20 ceremony where President Trump signed the new farm bill into law. The NCC then posted on its website detailed summaries/explanations of the key farm law provisions after they were publicly released and began working with USDA on their implementation.

In other activity, the NCC:

- posted on its website a summary (with signup examples) of the 2017 Wildfires and Hurricanes Indemnity Program that the NCC prepared after Agriculture Secretary Perdue announced that producers affected by hurricanes and wildfires in 2017 could apply for assistance to help recover and rebuild their farming operations.
- reminded producers late in the year of the insurance period's end and their ability to gain more time for harvest as excessive rain/snow had delayed harvest for some producers.
- welcomed Agriculture Secretary Perdue's appointment of Rickey Bearden, a Plains, Texas, cotton producer, to a four-year term on the Federal Crop Insurance Corporation Board which oversees the federal crop insurance program managed by USDA's Risk Management Agency.
- joined with members of the Coalition to Promote U.S. Agricultural Exports on a letter to those leaders and conferees in support of the Market Access Program and the Foreign Market Development Program – both important programs utilized by Cotton Council International.

- compiled and posted on its website a detailed 2018 mid-term election results roundup, which included a list of the freshmen Cotton Belt Congressional Members.
- responded to Senator Thad Cochran's (R-MS) announcement regarding his April 1, 2018, retirement with a statement noting that he is "a highly effective legislator and a true statesman who consistently supported the U.S. cotton industry and all of agriculture during his long career."



Rickey Bearden was appointed by Agriculture Secretary Sonny Perdue to the Federal Crop Insurance Corporation Board.

Trade

Major activities carried out during 2018

Following China's announcement of significantly higher proposed tariffs on U.S. raw cotton shipped to China, the National Cotton Council (NCC) issued a statement noting its concern that the tariffs would significantly harm the U.S. cotton industry's economic health. In the statement, NCC Chairman Ron Craft emphasized the importance of China's market to U.S. cotton farmers and the importance of U.S. cotton in meeting Chinese textile industry needs -- and that the two countries' cotton industries enjoyed a healthy, mutually beneficial relationship. He strongly encouraged the two governments to engage in immediate discussions that could resolve the trade tensions and stated the U.S. cotton industry stood ready to assist the U.S. government and U.S. cotton's trading partners in China to find a resolution to the trade dispute.



NCC Chairman Ron Craft, left, visits with Sen. John Cornyn (R-TX) about issues affecting U.S. cotton's economic well-being including trade with China.

Following Agriculture Secretary Sonny Perdue's mid-year announcement that USDA would assist farmers in response to trade damage from unjustified retaliation, the NCC issued a statement conveying its support for the Trump Administration's interim action until better

trade relationships could be restored and improved. The NCC worked with USDA in 1) providing data on how the tariffs were affecting cotton producers and other industry segments and 2) offering recommendations on response options and support levels.

Later, after Secretary Perdue announced the first round of assistance in the form of the Market Facilitation Program (MFP) payments, the NCC issued a statement thanking the Administration for its recognition of the tariff impacts and the strong response to help the affected industries. Following USDA's issuance of further guidance on the MFP, the NCC 1) worked with USDA as the department analyzed the impacts of the retaliatory tariffs on cotton trade and considered the second tranche of tariff mitigation support and 2) reminded producer members about the MFP's initial January 15, 2019, signup deadline. The NCC also issued a statement conveying its thanks to President Trump and Secretary Perdue for authorizing in late December the second round of trade mitigation payments.

The NCC was among 78 organizations and companies representing the food and agricultural sectors which signed onto a letter to Senators urging the timely confirmations for the nominations of: 1) Gregg Doud as the U.S. Trade Representative's (USTR) Chief Agricultural Negotiator, 2) Dennis Shea as Deputy USTR (Geneva) and 3) C. J. Mahoney as Deputy USTR (Investment, Services, Labor, Environment, Africa, China, and the Western Hemisphere).

The NCC joined groups representing manufacturers, farmers and agribusinesses, wholesalers, retailers, importers, exporters, distributors, transportation and logistics providers, and other supply chain stakeholders on a letter to the International Longshore Association and the United States Maritime Alliance to express deep concern about a breakdown in negotiations on a labor contract extension for East and Gulf coast ports that was to expire in 2018.



The NCC provided a U.S. cotton industry issue update and economic outlook for a delegation of the China National Textile and Apparel Council.

After the announcement of the new U.S.-Mexico-Canada Agreement (USMCA), the NCC issued a statement in which Chairman Craft stated, "The National Cotton Council is extremely appreciative of the Trump Administration's work to update and modernize the North American Free Trade Agreement, and our industry welcomes the conclusion of the negotiations." The NCC's statement pointed out that the

USMCA will ensure continued duty-free access for U.S. cotton to Mexico and Canada, with Mexico representing a top five export market for U.S. raw cotton. Both Canada and Mexico are top five export markets for cotton textile and apparel exports. Late in the year, the NCC filed comments with the International Trade Commission in support of the USMCA.

The NCC issued a statement that said it 1) welcomed the counternotification submitted by the United States regarding domestic support provided to India's cotton producers and 2) applauded the USTR's office and USDA for their efforts to seek transparency in the support provided to cotton producers in other countries. The counternotification, submitted to the World Trade Organization by the United States, covered the 2010-11 through 2016-17 marketing years, when India's Minimum Price Support payments ranged from 53 percent to 81 percent of the cotton production value.

Communications

Major activities carried out during 2018

Public Attitudes

The National Cotton Council (NCC) consistently conveyed the industry's positions and concerns to Congressional Members and key government agency officials regarding critical legislative, trade, regulatory and environmental matters.

For example, in advance of the 2018 farm bill debate, the NCC and all its interest organizations and membership across the seven industry segments mobilized a strong grassroots effort to help defeat any damaging amendments and build support for passing the Agriculture and Nutrition Act of 2018 (H.R. 2). Among these activities were: 1) NCC members' letters to the editor in newspapers across the Cotton Belt, 2) letters from the cotton organizations in each state to Representatives, and 3) countless emails and calls to Members and Congressional staff highlighting the amendments of concern and the critical need for farm bill passage. The strong mobilization of the industry's grassroots yielded positive results to defeat damaging amendments.

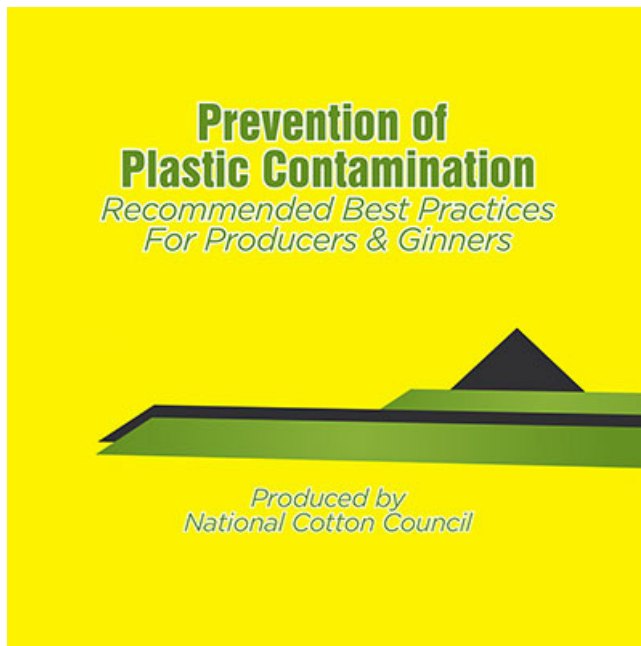
The NCC utilized social media across Twitter, Facebook, YouTube, podcasts via YouTube and Instagram. The posts highlighted news and information from the NCC, Cotton Council International and the U.S. cotton industry. The overall goal is informing, educating and creating positive perceptions regarding the NCC and the industry among the NCC's primary audiences of its members, Congress/Congressional staffers and consumers.

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

The NCC continued to participate in Farm Policy Facts (FPF) (<http://www.farmpolicyfacts.org/>). The FPF and "The Hand That Feeds Us" initiatives are committed to ensuring American agriculture's long-term success by facilitating meaningful conversations with legislators and consumers about how food and fiber is produced.

Information Services

The NCC utilized key communications vehicles such as its Cotton's Week newsletter, radio news lines, videos and columns in various trade publications for disseminating key information to its members. That ranged from relaying details and signup deadline reminders regarding USDA's Cotton Ginning Cost-Share program to providing updates as the House and Senate developed and considered 2018 farm legislation



A NCC-produced contamination prevention video was distributed to appropriate industry members.

The NCC's website, www.cotton.org, continued to be a significant tool for the timely sharing of important information to NCC members and other interested groups, including feeds from the NCC social media channels.

Weekly RFD-TV segments highlighting important industry issues continued to be produced. Video offerings included monthly segments for Cotton International's web podcast series on various economic topics as well as various Ag Day segments on key news topics.

The NCC produced a comprehensive contamination prevention video, which was distributed to appropriate industry members, and assisted the National Cotton Ginners Association in producing "Gin Press and Gin Warehouse Safety," a video made available to all U.S. cotton industry members.



Communications support was provided for Cotton Foundation special projects such as the Policy Education Program.

Comprehensive communications support was provided for multiple NCC-coordinated Cotton Foundation special projects. Among those programs were Emerging Leaders, Multi Commodity Education, Policy Education and Producer Information Exchange.

Technical

Major activities carried out during 2018

Regulatory

The National Cotton Council (NCC) submitted letters and comments regarding a range of regulatory matters important to the U.S. cotton industry.

Among those were support for a bill to correct problems with the Endangered Species Act; support of regulatory reforms included in the Horticulture Title of the 2018 farm bill; and support of regulatory transparency so long as it did not hamper EPA's pesticide office using subscription-only data banks.

The NCC joined more than 170 co-signers on a letter to House Agriculture Committee leadership urging support for inclusion of the National Pollutant Discharge Elimination System (NPDES) legislative fix. The letter specifically urged support for inclusion of critical regulatory relief legislation (the Reducing Regulatory Burdens Act) in the 2018 farm bill -- a measure that addresses duplicative permitting processes for pesticides under the NPDES permit system.

Along with 22 other agricultural and forestry stakeholders, the NCC submitted comments regarding whether pollutant discharges from sources that reach jurisdictional waters via groundwater or other subsurface flow that has a direct hydrologic connection to the jurisdictional water may be subject to Clean Water Act (CWA) regulation. This effort was underscored by 1) EPA's past confusing policies regulating water pollution and 2) a recent court case that threatened to upend the congressionally mandated separation of surface water and groundwater regulations.

The NCC acknowledged the positive step of EPA's establishment of an interagency working group to coordinate Endangered Species Act consultations for pesticide registrations and registration review. This Memorandum of Agreement between the EPA and the Fish and Wildlife Service (FWS)/National Marine Fisheries Service (NMFS) also suggested that USDA, the Council on Environmental Quality (CEQ) and the Office of Management and Budget join the working group and that CEQ serve as its chair.

Soon after, the NCC joined more than 30 other organizations on a Federal Insecticide, Fungicide and Rodenticide Act reform letter to House Agriculture Committee members. Serious concerns were expressed over a policy conflict between federal agencies, specifically the EPA and the Services. The letter pointed out that the Services' inability to adroitly and consistently provide biological opinions on pesticide registrations not only duplicated EPA's work, but delayed the process to the point of endangering agriculture's ability to continue to

supply food, fuel and fiber. The letter asked that the Committee work together with stakeholders to resolve this decades-long conflict.

Later, the NCC filed three sets of comments with the FWS urging the agency and the NMFS to address inefficiencies, streamline consultation processes, and reduce regulatory overreach.



The NCC supported efforts to allow consistency and simplicity in “Waters of the U.S.” and other water regulations.

WOTUS

Early in 2018, the Supreme Court issued a unanimous opinion that challenges to the “Waters of the U.S.” (WOTUS) rule would be heard in district courts and not circuit courts. As result, the U.S. Court of

Appeals for the 6th Circuit lifted its nationwide stay of the Obama Administration's rule.

This corresponded with the NCC’s strategy of supporting efforts to allow consistency and simplicity in water regulations. That strategy included the NCC joining with 21 producer interest organizations on comments to an EPA proposal that sought to amend the effective date of the 2015 rule defining WOTUS. The NCC also noted that a prudent and measured step came soon thereafter when EPA and the U.S. Army Corp of Engineers (COE) finalized a rule adding an applicability date to the 2015 Clean Water Rule. That date was two years after the rule was published in the Federal Register in mid-February of 2018. During those two years, the agencies planned to consider revisions or a new rule to regulate agriculture.

A U.S. District Court for the Southern District of Georgia judge granted multiple states' requests to stay the 2015 “Waters of the U.S.” (WOTUS) rule. This prompted the NCC to post on its website a list of states that were covered (about half) and not covered by injunctions against WOTUS. Simultaneously, EPA and the COE sent their proposed rewrite of WOTUS to the White House to begin the interagency review process. The NCC and other agricultural stakeholders believed the new proposal defined a much narrower set of waters and wetlands for protection than did the 2015 WOTUS rule.

Later, the NCC filed comments supporting a supplemental rule to rescind the 2015 WOTUS rule and then continued to monitor that issue for the remainder of the year. Then, after EPA and the COE released a new, proposed WOTUS rule late in the year, the NCC reviewed the proposal and began preparing comments to submit to EPA and the COE during the 60-day comment period. The NCC also issued a statement saying that when finalized, this rule (Revised Definition of “Waters of the United States”) would replace the onerous 2015 WOTUS

rule and “would provide relief from burdensome over regulation of non-navigable waters such as roadside and farm ditches.”

In other regulatory matters, the NCC:

- joined 14 other cotton organizations on a letter to Cotton Belt senators 1) asking them to support Andrew Wheeler as the Deputy EPA Administrator (later confirmed by the Senate) and 2) conveying the need to fill other EPA leadership vacancies so the agency could operate effectively.
- supported North Carolina cotton producer Allen McLaurin as he continued to serve on EPA's Pesticide Program Dialogue Committee. That panel held a two-day session that focused on ways to regulate pesticide spraying from unmanned aerial vehicles and on how the agency handles biotechnology.

Crop Protection Product Support

The NCC continued to work with EPA to ensure it evaluated crop protection products using science-based data so producers could access the necessary tools and technology needed to efficiently produce high quality crops. That NCC effort included 1) submission of multiple comments to the agency regarding its risk assessments for several products and 2) following the review process for those products.

The first comments submitted by the NCC in 2018 were in response to EPA's draft human health and ecological risk assessments for 2,4-D and cyfluthrin (baythroid). The comments explained the importance of both products to cotton producers and highlighted the historical data on usage that shows no scientific evidence of concern.

Next, comments were submitted to EPA's draft human health and ecological risk assessments for the registration review of five insecticides: abamectin (Agri-Mek®), buprofezin (Courier®), emamectin benzoate (Denim®), pyriproxyfen (Knack®) and bifenthrin (Brigade®). The NCC's comments highlighted each product's importance and the need for multiple modes of action so growers could practice successful resistant management techniques.

The NCC submitted comments to EPA on the agency's draft human health and non-pollinator ecological risk assessments for the neonicotinoids: imidacloprid, clothianidin, thiamethoxam, and dinotefuran. The comments highlighted the importance of each of these insecticides and the unique mode of action that each product provides to cotton producers to enhance their integrated pest management programs and insect resistance management programs. The comments also noted concerns with the flaws in EPA's risk assessments and provided some alternatives on how EPA could improve its procedure for assessing products.

Later, the NCC sent comments to EPA on the pesticides acetamiprid (Intruder insecticide), pymetrozine (Fulfill insecticide), cypermethrin (a pyrethroid), and pyriithiobac-sodium (Staple herbicide). The comments pointed out the low human health and environmental concerns of the products and the unique modes of action that each brought to producers' fields. The

comments also emphasized the place that each took within integrated pest management programs and resistance management programs.

The NCC, along with 20 cotton producer organizations, also responded to EPA's draft human health risk assessment for glyphosate's re-registration. The comments highlighted glyphosate's historical safety record and the consensus among countries that it poses no risk to human health. Simultaneously, the NCC filed comments in response to EPA's notice of a new product registration for the herbicide, pethoxamid.

The NCC noted the value of having multiple modes of action for resistance management purposes and how the addition of another active ingredient would enhance producers' options to improve their strategies for effective weed control.



The NCC submitted comments to EPA supporting the registration of a new active ingredient targeting nematodes which are posing a critical challenge to U.S. cotton production.

The NCC, along with 37 other organizations, requested that EPA extend by 90 days (to August 2018) the comment period for the National Marines Fisheries Service's Biological Opinion (BiOps) for chlorpyrifos, diazinon, and malathion. EPA Administrator Scott Pruitt stated in a speech

that he planned to ask the Service to reconsider its decision that chlorpyrifos is a threat to salmon and Orca whales under the Endangered Species Act. Later, the NCC's comments to EPA regarding that (BiOps) noted the importance of malathion to the boll weevil eradication program and of chlorpyrifos to the pink bollworm eradication program.

The NCC also joined numerous other industry organizations of the Chlorpyrifos Alliance on a letter to Agriculture Secretary Sonny Perdue and Acting EPA Administrator Andrew Wheeler. The letter highlighted chlorpyrifos' crucial importance to pest management and expressed serious concerns with the U.S. Court of Appeals for the Ninth Circuit's decision to revoke tolerances and registrations for the pesticide.

In letters to three key EPA officials, the NCC urged continued registration of chlorpyrifos based on decades of safe use/efficacy in cotton. Later, the NCC joined other stakeholders in a brief to the Ninth Circuit asking for a rehearing on the case involving chlorpyrifos. The

Department of Justice filed for the case's rehearing by the full court, and the NCC joined a brief in support of its request.

The NCC also submitted comments to EPA supporting the registration of a new active ingredient (trade name: Trunemco) targeting nematodes in cotton. The comments emphasized that because nematode control is a critical challenge for U.S. cotton production, the NCC continues to support the registrations and re-registrations of safe products.

Recognizing the value of new auxin-traited cottons (which includes Enlist™ cottons and Xtend® cottons) and their respective herbicides, the NCC met with representatives of Dow AgroSciences LLC to discuss reports of off-target incidences regarding Enlist Duo® on Enlist™ traited cottons. A NCC *Cotton's Week* article about the discussions included important product label information and urged producers to carefully read and follow label directions as well as contact appropriate representatives if further clarification was desired.

Another letter to Wheeler conveyed support for the continued registration of the new dicamba formulations. The letter from the NCC and state/regional cotton interest organizations reiterated the need for the product as a major component of weed resistance management, especially against Palmer amaranth. As a Pesticide Policy Coalition member, the NCC also facilitated a coalition letter to Wheeler on the same topic.

The NCC submitted comments to EPA's docket, "Pesticide Product Registrations: Applications for New Uses and New Active Ingredients," in support of afidopyfropen's registration. That insecticide targets aphids and whiteflies.

The NCC was joined by 24 other cotton interest organizations in sending comments to EPA that underscored acephate's importance as a critical tool of cotton integrated pest management across the Cotton Belt. The comments focusing on this organophosphate were submitted in response to EPA's release of its "Draft Human Health Risk Assessment and Preliminary Ecological Risk Assessment for Several Pesticides."

The NCC submitted comments to EPA's Office of Pesticide Programs regarding the agency's pending registration decision for Oxamyl. The comments urged EPA to recognize this product's long-term registration and its unique mode of action for resistance management scenarios.

Biotechnology

The NCC continued to monitor breeding and biotechnology issues coming from USDA.

Early in the year, USDA stated it did not regulate or have plans to regulate plants created through a set of new techniques such as genome editing (gene editing).

Genome editing is used to produce new plant varieties that are indistinguishable from those developed through traditional breeding methods -- if they are not plant pests or developed using plant pests and otherwise could have been developed through traditional breeding techniques. USDA's statement reaffirmed the agency's existing policy to treat the products of gene editing the same way products from traditional plant breeding are treated if the gene editing products are similar or indistinguishable from traditionally bred products.

The NCC, with the support of several other cotton organizations, submitted nominations to EPA for the agency's Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Scientific Advisory Panel (SAP). The NCC-recommended scientists were: Dr. B. Rogers Leonard, Louisiana State University; Dr. Charles Allen, Texas A&M AgriLife Extension Service; Dr. Steve Martin and Dr. Michael A. Caprio, Mississippi State University; and Dr. Randall G. Luttrell, formerly with USDA's Southern Insect Management Research Unit. Those selected served as SAP ad hoc expert members at a meeting to consider and review resistance in lepidopteran pests to *Bacillus thuringiensis* plant-incorporated protectants in the United States.



The NCC submitted comments to APHIS in support of the petition submitted by Texas A&M University seeking a nonregulated status for ultra-low gossypol cottonseed.

The NCC filed comments with the Animal and Plant Health Inspection Service (APHIS) in support of a genetically engineered cotton designated as event GHB811. The comments noted that GHB811 provided tolerance to both glyphosate and to HPPD-inhibitors which can provide cotton producers with: 1) a

new mode of action (MOA) in a wide spectrum of broadleaf weed control, 2) pre-plant burn down and residual activity, and 3) an additional MOA to help reduce resistance pressure on other active ingredients in herbicides.

Early in year, the NCC submitted comments to APHIS in support of a petition submitted by Texas A&M University seeking a nonregulated status for ultra-low gossypol cottonseed. Late in the year, USDA announced the deregulation of that variety which allowed the product to move forward for a review by the Food & Drug Administration to assess it for human and animal consumption.

The NCC also sent comments to APHIS regarding the agency's proposed revisions to its biotechnology regulations in part 340 within Title 7 of the U.S. Code of Federal Regulations (7 CFR). The NCC asked that these revisions strive for transparency and clarity and emphasized the importance of: 1) simplifying regulations on the research and development phase of products; 2) maintaining consistency with other APHIS programs and those of other agencies; and 3) recognizing the impacts on domestic and international markets.

The NCC joined other stakeholders in coalition comments on USDA Agricultural Marketing Service's (AMS) proposed rule to implement the National Bioengineered Food Disclosure Standard. The NCC, which followed this rulemaking process throughout 2018, supported AMS' efforts to facilitate a national label and stop a patchwork of state and local labeling laws, but expressed concern that some options in the proposed rule would harm agriculture by requiring labels which imply that refined ingredients like sugars and oils, derived from a bioengineered crop, contain genetic material when science showed they did not.

Comments were submitted by the NCC to EPA in advance of the agency's convening of a Scientific Advisory Panel (SAP) to review resistance in lepidopteran pests. The comments: 1) emphasized the importance of Bt traits for cotton production systems, 2) supported scientifically sound resistance management that minimizes field level compliance mandates, and 3) restated its opinion that EPA is not legally authorized to mandate resistance management under FIFRA. The NCC also monitored the SAP's efforts and the development of EPA positions related to resistance management of plant incorporated protectants.

Cotton Flow and Packaging

The NCC was active on several fronts throughout the year addressing issues affecting the timely movement of baled cotton fiber to domestic and foreign customers; the acceptance of materials used to package U.S. cotton fiber; and the development of new, innovative packaging materials and techniques.

USDA approved the Joint Cotton Industry Bale Packaging Committee (JCIBPC) 2018 Specification recommendations for Cotton Bale Packaging Materials for Commodity Credit Corporation loan program purposes. Those Specifications, on the NCC's website at www.cotton.org/tech/bale/specs/, included: 1) full approval of a new Polyethylene Terephthalate (PET) bag and bagging system, 2) definitions related to the PET woven bag, and 3) amendments to the Bag and Tie Codes and Official Tare Weights tables to reflect the addition of the new PET bag/tie system. The JCIBPC also approved the addition of a strapping manufacturer to the list of approved manufacturers of PET strap for patented z-weld friction technology® systems.

The JCIBPC Specifications' test program review section provided information on: 1) continuing two lightweight cotton bale bag test programs, 2) one PET strapping system test program, and 3) one PET strap compatibility test program.

The NCC and the National Cotton Ginners' Association (NCGA) filed comments with the Federal Motor Carrier Safety Administration (FMCSA) to help clarify future guidance on how agricultural commodities are treated under the Federal Hours of Service and Electronic Logging Device rules. The industry comments included a request for 1) return trips to be included within the 150 air-mile exception for agricultural commodities and 2) multiple facilities to be considered as acceptable "sources" for agricultural commodities. The NCC and NCGA also followed this issue as FMCSA completed its guidance document that was aimed at ensuring consistent understanding and application of the exception by motor carriers and state officials enforcing hours of service rules.

NCC President/CEO Gary Adams' memo to U.S. gins alerted them to ongoing incidences of mismatched permanent bale identification (PBI) tags/sample coupons with the 2018 crop. The mismatches were occurring despite a comprehensive communications effort during the 2017 ginning season and again before the 2018 ginning season by USDA's Agricultural Marketing Service Cotton and Tobacco Program, the NCC, and others.



Clyde Sharp, an Arizona producer who co-chairs the NCC Pink Bollworm Action Committee, participated in USDA's ceremony announcing the eradication of that costly pest.

Research/Education

The NCC issued a news release in which it welcomed USDA's announcement that "U.S. cotton is free—after more than 100 years—of the devastating pink bollworm."

Agriculture Secretary Sonny Perdue, who made the announcement at a ceremony in Washington, DC, said the pink bollworm had cost U.S. producers tens of millions of dollars in yearly control costs and yield losses. Clyde Sharp, an Arizona producer who co-chairs the NCC Pink Bollworm Action Committee with Ted Sheely, a California producer, attended the ceremony along with NCC President/CEO Gary Adams.

The NCC, with valuable assistance from multiple industry sources, developed a comprehensive video with educational information for plastic contamination prevention in seed cotton and lint. The video focused on best management practices to handle and process round modules – with a specific goal of preventing contamination from module wrap. The NCC urged producers and gin managers to utilize the video which was mailed to the NCC's interest organizations and to all U.S. gins.

With federal and state labels for auxin products significantly modified for 2018, the NCC urged all producers to: 1) use only labeled products and comply with all training measures to avoid any off-target incidents, 2) contact their state extension service weed specialists for help in fully understanding and compliance with the appropriate federal and state requirements with these pesticides, and 3) verify they were legally prepared to use these products as labeled for the 2018 growing season by taking advantage of the extensive educational training provided by many states and by the product registrants.

The NCC joined with other agricultural groups to create guidance for properly using treated seeds – and to help support the continued use of seed treatments. The guidance, at www.seed-treatment-guide.com, highlights common-sense approaches such as following label directions, minimizing dust, locating honey bee hives near the field prior to planting, and cleaning of equipment afterwards with proper disposal of treated seed waste.

The 2018 Beltwide Cotton Conferences in San Antonio, with 1,051 attendees, continued its focus on research of new and existing products and technologies and the transfer of these to producers through consultants, Extension, allied industry and others directly involved in assisting producers with crop production and marketing decisions. The forum featured a special workshop, "Risk & Reward: Small Unmanned Aircraft Systems (UAS) for Agricultural Producers." Dr. B. Todd Campbell, a research geneticist at the USDA Agricultural Research Service's Coastal Plains Soil, Water, and Plant Research Center in Florence, S.C., received the 2017 Cotton Genetics Research Award.



Jay Hardwick, a Newellton, La., cotton producer and member of the NCC's COTTON USA Sustainability Task Force, received the 2018 Farmer of the Year Award from Field to Market: The Alliance for Sustainable Agriculture.

Sustainability

The NCC's COTTON USA Sustainability Task Force, which set goals in 2017 to build upon the strong environmental gains already achieved over the past 30 years, expanded this effort through the U.S. Cotton Trust Protocol. The Protocol is an integrated data collection, measurement and verification procedure that will document U.S. cotton production practices and their environmental impact. Task Force

Chairman Ted Schneider introduced the Protocol to attendees at Cotton Council International's Cotton Sourcing USA Summit. He noted that a Protocol pilot would be conducted in 2019 with full implementation planned for 2020.

Task Force member Jay Hardwick, a Newellton, La., cotton producer, received the 2018 Farmer of the Year Award from Field to Market: The Alliance for Sustainable Agriculture. He was recognized for his commitment to advancing sustainable agriculture through outstanding conservation and stewardship efforts on his farm and sharing best practices with his peers.

The NCC continued its support of the Cotton LEADS™ program. Among those joining the program's 540-plus partners in 2018 were JCPENNEY and Wrangler®, which announced it wanted to double its use of cotton acquired through the company's sustainable cotton program.

Among other research and education activities, the NCC:

- cooperated with the National Cotton Ginners Association (NCGA) on the three well-attended 2018 Ginner Schools – the Western Ginners School in Las Cruces, N.M.; the Stoneville Ginners School in Stoneville, Miss.; and the Southwest Ginners School in Lubbock.
- reminded its members of "Recommendations for Handling Seed Cotton Exposed to Excessive Rainfall" in the aftermath of Hurricane Florence. This NCC-developed document on its website was for helping producers and ginners maximize their efforts at preserving a crop's quality under such conditions.

Cotton Council International

Major activities carried out during 2018

Cotton Council International (CCI), the National Cotton Council's export promotion arm, continued to position U.S. cotton as the "The Cotton the World Trusts" and expand foreign demand for U.S. cotton fiber, yarn and other cotton products.

CCI showcased U.S. cotton's quality, sustainability, transparency, premium value and innovation as it promoted U.S. cotton in more than 50 countries under its COTTON USA™ trademark. COTTON USA events in 2018 focused primarily on three facets of CCI's promotional strategy: 1) educating mills, manufacturers, brand and retailers on the advantages of U.S. cotton; 2) facilitating connections across the global supply chain; and 3) promoting innovation with U.S. cotton. Participation in COTTON USA events in 2018 led to reported sales of 14 million bales of U.S. cotton, valued at approximately \$5.3 billion.

A partnership comprised of the NCC, CCI, Cotton Incorporated and Supima continued to work seamlessly throughout the supply chain to provide 1) advanced cotton technology, 2) strategies for improved cotton product performance and 3) sales-building expertise to mills, manufacturers and retailers worldwide. The four organizations also actively collaborated with the industry to ensure open access to the latest innovations that help ensure that cotton is a sustainable ingredient in tomorrow's garments and home textiles.



CCI President Ted Schneider updated Sourcing USA Summit attendees on the U.S. cotton industry's sustainability goals.

That partnership facilitated another successful Cotton Sourcing USA Summit in 2018 where global cotton community leaders gathered to discuss how the industry's future will affect their businesses. Cotton sellers, buyers, global visionaries and other key supply chain decision makers participated in conversations about the influence of innovations on consumer demand for cotton and production of higher-quality and more sustainable

cotton grown in the United States. On post-event surveys, 88 percent of mills agreed that the Summit educated and/or convinced them of the advantages of U.S. cotton vs. alternatives. Because of the Summit, mills were expected to purchase an additional 6.0 million bales of U.S. cotton in 2019, a value of \$2.3 billion.

CCI's overall effort was boosted by 10 U.S. cotton organizations which pledged their support in 2018: the NCC; Cotton Incorporated; American Cotton Shippers Association; AMCOT; California Cotton Alliance; the Committee for Cotton Research; ICE Futures U.S.; Plains Cotton Growers, Inc.; Southern Cotton Growers, Inc.; Supima; and U.S. textile manufacturers. That support was an invaluable supplement to the funding from USDA's Foreign Agricultural Service's Market Access Program and Foreign Market Development program.

CCI promoted its WHAT'S NEW IN COTTON™ initiative -- which showcases new textile innovations in U.S. cotton-rich apparel and home textile products -- at multiple events throughout 2018.

That included Cotton Days™ in Bangladesh, China, Indonesia, Japan, Korea, Taiwan, Thailand and Vietnam brought together COTTON USA licensees and potential business partners while positioning U.S. cotton as the fiber of choice globally. Projected sales from Cotton Days are expected to reach nearly 3.6 million bales, valued at \$1.37 billion, based on post-event survey results collected by CCI.

Cotton apparel and home textiles were promoted at important international trade shows. Among those were: Heimtextil in Frankfurt, Germany, the Intertextile Shanghai Home Textiles event in China; Colombiamoda in Medellin, Colombia; and Première Vision in Paris, where CCI once again showcased an array of U.S. cotton-rich apparel created with innovative technology at one of the world's largest exhibitions of apparel, fabric and yarn manufacturers.

The U.S. textile industry was promoted via the COTTON USA Sourcing Program at the third COTTON USA Sourcing Fair in Hong Kong where global sourcing assistance was provided for companies looking for U.S. cotton fiber and yarns to manufacture high quality textile products. Attendees reported the event resulted in sales and purchases of more than \$550 million. Post Sourcing Fair survey results showed that 1) the event led 88 percent of attendees to plan purchases or sell an additional \$900 million worth of U.S. cotton over the next year and 2) 96 percent of attendees indicated U.S. cotton quality was better than cotton from other regions.

Other successful Sourcing Program opportunities were at Colombiatex in Medellin, Colombia; at the COTTON USA Western Hemisphere Sourcing Fair in Cancun, Mexico; at the Apparel Sourcing Show 2018 in Guatemala City where U.S. textile manufacturers were showcased; and at the Peru Moda 2018 trade show in Lima, Peru where the spotlight was on COTTON USA licensed garments, towels and sheets.



Textile executives representing 11 Vietnamese companies gained a better understanding of how U.S. cotton can add value to the products they manufacture as participants in a CCI-coordinated COTTON USA Special Trade Mission.

A seven-member 2018 COTTON USA Executive Delegation traveled to the Indian cities of Mumbai, Coimbatore and New Delhi to participate in conferences emphasizing U.S. cotton's

quality to Indian textile mill leadership and to conduct meetings with key mill partners.

More than 100 attendees explored the added value that U.S. cotton could bring to the Chinese uniform industry at a COTTON USA-conducted seminar in China, the world's largest uniform consumer. Nearly 100 partners throughout the Hong Kong textile supply chain attended a COTTON USA-sponsored seminar on the cotton and apparel market and how the industry is moving ahead with re-industrialization.

As participants in a CCI-coordinated COTTON USA Special Trade Mission, textile executives representing 11 Vietnamese companies gained a better understanding of how U.S. cotton can add value to the products they manufacture.

CCI teamed up with two Chinese and Western denim design masters, Chen Wen and Adriano Goldschmied, to launch a 2018-19 autumn/winter denim fashion collection during the China International Fashion Week in Beijing.

The Cotton Foundation

Major activities carried out during 2018

The Cotton Foundation Board of Trustees approved funding for 10 general research projects totaling \$197,000 for 2018-19. Included are studies related to pest management, sustainability, regulatory issue information gathering and education.

Some Foundation member firms continued to provide grants over and above their dues to fund special projects such as the Producer Information Exchange, a program that celebrated its 30th year in 2018 with a grant from Crop Science, a division of Bayer.



Mid-South cotton producers observed operations in Texas as part of the 30th year of the Producer Information Exchange -- the longest-running Foundation special project.

Several Foundation members also support the NCC-coordinated Beltwide Cotton Conferences and various functions of the NCC's Annual Meeting.

Through the Foundation, assistance continued for vital NCC communications vehicles, including the Cotton's Week newsletter. In addition, the Foundation's underpinning of the NCC's web server made it possible for the NCC to continue posting valuable educational materials, including streaming video, for industry members.