

**THIRD IN AN ANNUAL SERIES  
MY GIN MANAGEMENT PHILOSOPHY**

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First, I would like to give a little background on myself and the ginning environment in the Texas Coastal Bend. My dad managed the Edroy Coop Gin Company from 1959 to 1975, so I grew up in a cotton gin. After I graduated from Texas Tech with a degree in Textile Engineering, I went to work for Phillips Petroleum Company in their fiber research group, then spent four years in Air Force as a material engineer. After leaving the service I went back to Phillips for eight years working as a process engineer in Polyester and Nylon plants in North Carolina and Puerto Rico. I came back to the ginning business as manager of the Edroy Coop Gin Company and the San Patricio County Coop in 1980.

Our Producers plant in late February and March and harvest between late July through August. Because we are harvesting this early, our producers have an almost unlimited access to custom harvesters-strippers from West Texas and pickers from the Delta. Although the harvest takes place over a five-week period, the bulk is complete in approximately a ten days. Another feature in our harvest/ginning period is the fact we can expect from 8 to 15 inches of rain between August 8<sup>th</sup> through September 15<sup>th</sup>. The extremely quick harvest and threat of rain plus the penalties for cotton delivered after October 1<sup>st</sup> or 15<sup>th</sup> puts considerable pressure on ginner.

The service we provide to our customers is marketing of the producer's cottonseed, market assistance for the crop, and of course ginning. We are a cotton gin only; we do not operate a grain elevator, tire shop or a cotton warehouse. Approximate a third of our crop is marketed through a coop marketing pool, which pays the producer off the loan schedule premiums and discounts. The balance of the crop is forward contracted on a SLM 1 1/16 basis with loan discounts but no premiums. Unless the producer request it we gin all cotton utilizing one cleaner and minimum heat as long as we can maintain 4 trash level or better. I would like to commend the gin labs for their work over the years demonstrating the cost effectiveness of reduced lint cleaning and especially Bobby Green and the National Ginners for their effort to promote gentle ginning.

Next I would like to talk a little about where our gin has been heading for the past few years. During the early 90's we had increased the capacity of our plant in Edroy to 22 bales per hour and were ginning around 18,000 bales per year. From time to time we looked at increasing our

capacity, but each time came to the conclusion we needed to increase cotton base to justify the cost of increasing capacity. In the fall of 1995 our board and the board of Ocot, Inc. (a farmer owned gin six miles from Edroy) began merger talks. Both gins had operating capacities of 20 to 25 bales per hour and annual crops of 18,000 bales per year. The merger was completed July 8, 1997 two weeks prior to the gin season. We operated both gins in 1997, ginning 31,000 bales. In the fall of that year we made the decision to close the plant in Edroy and expand the plant in Odem to 40 bales per hour. We relocated the overhead, module feeder, six lint cleaners, moisture control and several burners to the Odem Plant and purchased one addition gin stand, a 16,000 BTU burner and a high slip dryer/feed control package. Our combined plant is now 4-158 Lummus gin stands with Super-Jets and two stages of lint cleaners behind each stand and a Lummus press with Signode plastic strapping. The only thing unusual that might be of interest is that we have our feed control and high slip dryer in a pit directly below the module feeder head and the cotton is split in three ways out of the high slip dryer into three overhead cleaning streams.

Finally, I would like to talk to you a little about our strategy for the future and our personnel management. Our cost are going to continue to increase and our revenue per bale will have to decrease if we are to do our part to reduce the overall cost of delivering a bale of cotton to the mills. Increasing efficiency is the only way I see to do this. Although, "bigger and faster" has a bad connotation to some and in fact does not always improve efficiencies, it offers the most opportunities and that is the reason we merged and the reason for the higher capacity plant we have built. We expect to cut our cost by \$ 12.00 per bale. In the area of personnel, we furnished medical, vacation, and disability insurance but we do not have a retirement plan at this time. I consider training as one of the areas where we can increase our efficiency. We send our ginners to the gin school at Lubbock and have tried to get our office personnel to one-day seminars where possible. We also send our ginners and office personnel to visit other gins to view how they run their operations.