

REPORT OF NCC PRESIDENT

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General Session

Beltwide Cotton Conferences

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Abstract

The National Cotton Council is devoting considerable resources to technology advances, including efforts to improve cotton yield and quality. NCC-supported yield and quality objectives – including second and third generation developments in genetic improvements and greater involvement in cottonseed breeding programs by state researchers - are fundamental to improving the U.S. cotton industry's profitability and maintaining its competitive edge. A major concern is that cottonseed breeding programs that have focused on genetic modifications or obtaining other specific fiber properties may have lost seed vigor in the process. Restoration of industry profitability hinges on: expanding U.S. cotton markets; reducing production, processing and distribution costs; and maintaining a healthy policy partnership with the federal government. NCC leadership agrees that certain provisions of current farm law need to be retained, including: cotton's marketing loan keyed to the world cotton price, the three-step competitiveness program and planting flexibility. They also agree that new farm law should provide a better income safety net.

Introduction

Thank you Mr. Chairman. I appreciate very much the opportunity to address this large assembly of people, all of whom depend on cotton for their livelihood in one way or another.

Discussion

The Beltwide Cotton Conferences are truly unique, bringing together the best scientific minds with cotton producers, processors, handlers and agribusiness leaders. Add to that mix the leaders from Federal and State Experiment Stations, the Cooperative Extension Service, universities, USDA, the news media, the National Cotton Council and a number of other national and regional cotton organizations and you have a communications forum unlike any other.

This partnership effort, coordinated by the National Cotton Council, has grown dramatically through the years and continues to generate excellent attendance even when the agricultural economy is in the doldrums.

Thanks to all of you who organize these annual conferences for your excellent planning and hard work.

Never has it been more important for us to bring together the industry's collective intellectual and financial resources to address a growing number of very difficult and persistent problems. A chronic absence of profitability and a heavy dependence on government assistance confronts all of us with a real dilemma. World leaders, convening under the banner of the World Trade Organization, are inclined to reduce agricultural subsidies. Yet world prices continue to languish below production costs. Together we have to find some solutions and we have to do it quickly.

Our current situation reminds me of a bit of wisdom I recently found in Uncle John's All-Purpose, Extra Strength Bathroom Reader. It's called Ginsbergs's theorem: (1) you can't win, (2) you can't break even, and (3) you can't even quit the game.

People who attend these conferences know very well that technology is one of the more important keys to resolving our profitability problem. And these conferences have come to be seen as perhaps the single best forum for learning about new technology.

Progress in Technology will be the focus of my report this morning. Before I get to that subject, though, I want to summarize some recent National Cotton Council activities related to farm policy because I know that issue is very much on your minds.

A dramatic and chronic decline in agricultural commodity prices has prompted questions about whether the FAIR Act should be amended or rewritten before its scheduled expiration following the 2002 crop. Several weeks ago, Representative Larry Combest, Chairman of the House Agriculture Committee, announced plans to schedule commodity title hearings in early February.

In order to be prepared to participate in discussions about new farm policy, the Council organized a special leadership committee in 1999 to analyze options and provide guidance on farm policy. That committee has met a couple of times and has reached consensus on a number of farm policy principles the industry will pursue during discussions on new farm policy. We have agreed, for example, that:

- We need a better income safety net than the fixed payment scheme provided by the FAIR Act;
- We would like to retain as much planting flexibility as possible;
- We place a high priority on retaining our marketing loan keyed to the world market price and operated in concert with the 3-step competitiveness plan; and
- We want to minimize the impact of payment limitations on program participants.

We were able to communicate these principles during field hearings last spring and, on December 22, I had an opportunity to share them with President Elect Bush and his Agriculture Secretary Nominee, Ann Veneman. I came away from that meeting with the impression that the new Administration will be supportive of policy adjustments aimed at shoring up producer income.

Chairman Combest has said he wants participants in the February hearings to come with specific policy recommendations. That means the cotton industry has to move beyond the principles we have agreed on and now develop some very specific recommendations. To begin this process the American Cotton Producers' policy committee met in December with the goal of shaping a producer consensus for all regions. The Council's seven-segment leadership committee will meet again here in Anaheim to review program options and prepare to present an industry-wide consensus when we testify next month.

We'll be working to reach agreement on such things as:

- The kind of delivery system that best serves the cotton industry?
- Whether benefits should be in the form of fixed, de-coupled payments, as we have under current farm law? ...Or ...
- Should payments be keyed to acreage or production?
- Would some combination of coupled and de-coupled payments work better?
- Should payment bases and yields be re-computed?

Of course, we'll have to examine all the proposed delivery systems in light of what's legal under World Trade Organization rules.

Speaking of WTO rules, two things seem virtually certain after all the talking is done. While agricultural subsidies will be reduced, they will not be eliminated. And, many countries will continue to outspend the U.S. by substantial margins even after negotiated reductions.

These realities point up the absolute necessity of maintaining a healthy partnership between the U.S. government and U.S. agriculture. And they underscore the importance of our maintaining a strong, unified voice through the Council as new farm policy is debated in the months ahead.

Maintaining domestic and international competitiveness is crucial for raw cotton as well as for cotton products. For that reason, the year 2000 will undoubtedly be remembered as a benchmark year in trade developments, which, like price, affect our ability to be competitive.

Long-debated Caribbean Basin Parity legislation was finally enacted last year, with the goal of having it implemented by the first of October. Other significant trade developments included a decision by the U.S. to remain in the World Trade Organization; China's accession to the WTO was approved; and the U.S. granted Permanent Normal Trade Relations for China.

Only time will tell how the balance of these developments plays out for U.S. cotton and textiles. Passage of CBI Parity legislation has been widely expected to deliver significant benefits.

Anticipating passage of this legislation, Cotton Council International has already begun an active market-building campaign in the Caribbean. We need the extra competitive edge our products will receive under the CBI, especially since Permanent Normal Trade Relation status has now been approved for China.

Now let me turn to the primary subject matter I want to discuss with you this morning – Progress In Technology.

If any cotton farmer fully appreciates the value of technology I believe it is those of us who farm in the Southeastern region. Technology put us back in cotton farming after the boll weevil ran us out.

Advances in chemistry gave us the first opportunity to get back in cotton. With the development of pyrethroids, we had a crop protection product that allowed us to put up a pretty good fight against insects. However, this was only a partial answer. It was hard to make any money when 18 to 20 sprayings were required during the course of a season.

But then came another, even more dramatic technological advance -- the boll weevil eradication program. This program enabled us to reduce sprayings to around eight or nine per season, making it possible to turn a reasonable profit on cotton production for the first time in years.

Still another very important technological advance was the commercialization of Bt cotton that permitted us to reduce spraying to around one or two per season.

Meanwhile, advances were being made in equipment technology. We've gone from 6-row to 12-row equipment and, on my farm, I've been able to go from 7 tractor drivers (averaging 350 acres per driver) to 4 tractor drivers (averaging 750 acres per driver).

Now, thanks to all these technological advances -- if we don't lose too much yield or suffer too much quality deterioration as a result of weather or other factors -- we can usually make a pretty good profit on cotton production.

Having said that, our experience has been that a combination of yield and quality losses has, in fact, wrung most of the profits out of cotton production in recent years. Not just in the Southeast, either. Producers all across the Cotton Belt have experienced these problems.

How many of you, during the past several years, have gotten off to one of the best starts you can remember only to suffer a terrible disappointment by harvest time. Even when we've been lucky enough to enjoy an average to above average yield, many of us have suffered costly quality losses, often amounting to as much as 10 to 12 cents a pound. When prices are already low, these large discounts are absolutely devastating.

Staple length of an inch and a sixteenth is no longer something we can take for granted. Micronaire of 4.8 and higher is too common. And having a fourth of our harvest assigned a light spot, even though it hasn't rained in 8 weeks, is disturbing. Meanwhile, the average yields have generally declined over the past 5 years, further compounding our problems. All this adds up to some serious apprehension about our current cottonseed varieties.

Isolating the causes of these quality and yield problems has been illusive. There's no shortage of theories about possible causes, but there's very little information that can be called conclusive.

Even though both producers and manufacturers want quality improvements, agreeing on how to achieve them remains difficult and sometimes controversial. Because of this, the Council's Quality Task Force, with participants from all segments of the industry, has worked to forge agreement on creating a set of incentives for quality improvements. The goal is to reward quality improvement while ensuring that no segment is disadvantaged in the process.

This past year the Department of Agriculture adopted a number of recommendations initiated by the task force and approved by the Council. The first set of recommendations addressed growers' concerns with the assignment of color and manufacturers' concerns about short fiber content. The official color assignment for the 2000 crop was by HVI, rather than hand classing. This is a change that growers have supported for a number of years.

The Task Force also recommended adding length uniformity to the CCC loan premium and discount schedule as a proxy for short fiber measurement. Length uniformity in the range of 80 to 82 is considered base; less than 80 is discounted; and scores of 83 and higher receive a premium.

The Task Force was also concerned about confusing signals to ginners. If aggressive ginning contributes to short fiber, then less lint cleaning could be beneficial. However, if less lint cleaning increases the probability of incurring a relatively large prep discount, growers and ginners will be unwilling to reduce their lint cleaning. To address the conflicting signals on ginning for reduced short fiber, the discount associated with level-one prep was reduced to just 50 points.

While quality improvement was the primary motivation for appointment of the Quality Task Force, its members have not lost sight of the fact that yield must be the chief characteristic of any cottonseed considered by growers. Quality improvement and yield must be advanced in tandem, and the Quality Task Force is keenly aware of this.

Many industry leaders have voiced their concern that the basic genetic components of today's dominant varieties may not be stress-tolerant. A major concern is that cottonseed breeding programs that have focused on genetic modifications or obtaining other specific fiber properties may have lost seed vigor in the process.

The Council's Quality Task Force is seeking greater involvement in cottonseed breeding programs by state researchers and the consideration of the maintenance of publicly developed strains as public property.

There is a potential to increase the availability of foundation seed through cooperative marketing agreements by state experiment stations. This would provide greater incentive for state researchers to participate in localized breeding programs.

In addition, the task force is requesting that Cotton Incorporated have a greater role in cottonseed breeding, and I know that Cotton Incorporated leaders are working on appropriate budget plans. The Council was also instrumental in obtaining additional funding for the Department of Agriculture to be dedicated to the improved archiving of cotton genetic material.

During its November meeting, the Quality Task Force focused on possibilities for reducing pepper trash in lint cotton. Small particles of trash are extremely difficult to remove from seed or lint cotton, and as the speed of spinning operations continues to grow, the pressure for cleaner cotton becomes more intense.

This recent meeting of the Quality Task Force brought together scientists in plant breeding, crop production, defoliation, harvest technology, ginning equipment and fiber measurement to summarize what is currently known about contributors to trash in lint cotton and to plan a research strategy to identify ways to reduce pepper trash.

The efforts by the Council to improve yield and quality are fundamental to improving profitability for our industry and maintaining our competitive edge into the future. These quality and yield objectives must be a part of our overall technology strategy and must not be overlooked as we continue to press for second and third generation developments in genetic improvements.

The Council is devoting a lot of resources to technology advances on a broad front. You will see evidence of it here in Anaheim. This morning's general session program, for example, features a report from Stephen Felker on fiber quality and new spinning technologies followed by a special panel discussion that will focus on cotton variety improvement. Of course, technology occupies center stage in almost every general session and special seminar at the Beltwide Production and Research Conferences every year.

We've made a great deal of progress on the technology front, but we still have a long way to go. I encourage all of you to take full advantage of the technology that will be reported at this year's conferences and to provide feedback that will enable us to sharpen our focus and continually improve the conferences.

From its inception, the National Cotton Council has sought to improve the economic health of its members by addressing problems and opportunities on a broad front. Restoration of profitability hinges on our being successful in maintaining a healthy policy partnership with the federal government; on the progress we make in reducing production, processing and distribution costs throughout the industry; and on our ability to expand markets for U. S. cotton.

I want to close by urging all of you to do whatever you can to encourage the broadest possible support of the Council and its program of work. At the same time, I give you my assurances that the Council's industry and staff leaders will do everything possible to earn your continued confidence and support.