

U. S. COTTON INDUSTRY ISSUES AND AGENDA
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Thank you, Lieutenant Governor Wilder, for those words of welcome to Nashville. We appreciate your distinguished service to the state of Tennessee and your effective leadership on behalf of the cotton industry.

I would like to offer some brief remarks about this conference and recent activities of the National Cotton Council.

I am pleased to have this opportunity to participate in these conferences, which represent the largest annual gathering of the cotton industry, its agribusiness partners, scientists, universities and friends in government.

The Beltwide Cotton Conferences are unrivaled in terms of their diversity of audience and the number of research disciplines represented. However, as our conference theme—"In Harmony: Research, Resources, Results" reminds us, there continues to be a strong unity of purpose among all Conference participants. In that regard, the Conferences are not unlike the National Cotton Council, where the seven segments that comprise our industry continue to come together to focus their resources on common priorities for achievable results.

The Beltwide partnership has had a tremendously successful track record. The National Cotton Council is proud to be the managing partner—so to speak—of this alliance. We also are pleased at the continued high quality of the Conferences, in spite of economic conditions and other factors that have impacted Conference participation.

The Conferences' organizers deserve our thanks and recognition for their hard work and the excellent job they do in planning these events.

As with the Beltwide partnership, I am pleased with how our collective resources were effectively applied to the industry's priorities this past year through the Council and our many accomplishments.

Legislative Affairs

Through the Council, the cotton industry provided the necessary leadership that resulted in the passage of The Farm Security and Rural Investment Act of 2002. The farm law's main principles were developed by Council leaders three years in advance of the farm bill's passage. Those principles were first presented by Bob McLendon as the lead-off witness to the House Ag Committee and the Council pursued them vigorously throughout the entire policymaking and legislative process. The result, of course, is a cotton program that has improved U.S. cotton's income safety net and competitiveness, while complying with federal budget spending ceilings and our nation's trade commitments.

Our primary challenge since the passage of the farm bill has been maintaining this policy in the face of a constant flow of negative publicity. Critics of the bill include members of Congress, the media and several competing countries—the latter claiming that the bill is not WTO-compliant.

Most of the Congressional criticism is coming from members who want to see more restrictive payment limits and they are looking for a legislative vehicle to amend those provisions.

The flow of negative publicity has been both constant and unfair in its characterization of the program—and this criticism has been fed by the damaging misinformation circulated by the Environmental Working Group.

The Council has been working to repel further restrictions on program benefits since early last year and continues those efforts as Congress addresses the appropriations process this month.

We hosted meetings of the Commodity Roundtable last summer to unite and energize the other sixteen farm and general commodity groups to defend the farm bill and step up public relations efforts. The Council also provided strong rebuttals to the charges made by the media and equipped industry leadership to have an effective voice in their communities in responding to misleading and unjustified criticism of the cotton program.

Grower information meetings, which the Council conducted across the Cotton Belt following the farm bill's signing, presented the law's key provisions and provided input for the bill's implementation. Later this morning, USDA Deputy Secretary **Jim Moseley** will provide us the latest on farm bill implementation and other key issues facing USDA. As you will

learn, Secretary Moseley is a farmer who is deeply committed to public service. He works tirelessly to maintain a dialogue with farmers across the country by participating in conferences like the Beltwide. Mr. Secretary, it is my privilege to welcome you to our industry's premier technical conferences.

The Council also supported enhancement of proven, incentive-based conservation programs provided a majority of cotton farmers would be eligible and limitations were not so severe as to discourage participation by commercial sized operations. We also believe conservation programs should be a complement to effective commodity programs and not a substitute. The final bill devotes significant funding to expand existing conservation programs and implement new ones. We have arranged educational farm tours in several regions of the belt for key Congressional and NRCS staff to help them in their development of the new Conservation Security Program. Council staff and several regional cotton organizations participated in the National Conference on Farm Bill Conservation Opportunities to hear the latest program developments and discuss conservation opportunities. And, at the invitation of NRCS Chief **Bruce Knight**, Larkin Martin participated in a conference on third party technical providers. I look forward to a presentation by **Chief Knight** later this morning where he will review the farm bill's conservation title. The Chief has been a strong advocate for prompt, farmer friendly implementation of the conservation title. He has also assisted us in securing participation of his top staff for a special workshop on conservation programs to be conducted this afternoon.

Legislatively, the Council also joined an array of farm, commodity, bank and manufacturer organizations that urged Congressional support for emergency disaster assistance for crop and livestock producers who suffered losses during the 2001 and 2002 production years. Our goal has been to persuade Congress to provide this assistance on a truly emergency basis, just as other disaster assistance is provided for losses due to severe storms, without requiring spending offsets. As we continue our efforts to secure disaster assistance, even as we meet here at Beltwide, we also are doing everything possible to put a firewall between disaster assistance and farm program spending offsets – particularly offsets that would be achieved through more restrictive payment limits or reductions in payments authorized in the new farm law.

Trade

While farm legislation is a high priority, trade issues have always been a major thrust of Council efforts, but in recent months, they have taken on added importance given the Administration's strong emphasis on trade liberalization. The U.S. has concluded two new trade agreements, started numerous other free trade agreements, and is moving forward on a new multi-lateral agreement in the Doha Round of negotiations under WTO.

Gaylon Booker will join us later this morning to provide a comprehensive review of the trade issues impacting the cotton industry.

The Council also has taken a more active role in pursuing WTO compliance by competing nations. We have been to Washington on numerous occasions to convey our concerns to Congress and the Administration about China's failure to implement their WTO commitments for market access. As Gaylon will note in his report, China's restrictive implementation of its quota agreement, together with the announcement of a new standard for neps and short fiber measurements, put limits on market access that violate terms of the WTO accession agreement.

The Council recently asked the U.S. government to begin consultations with China about these issues under provisions of the WTO and to request that dispute settlement panel be convened, if necessary.

While we are challenging China's trade policies, Brazil has launched a broad attack on U.S. cotton policy – asking for formal consultations under the dispute settlement provisions of the WTO and charging that the U.S. cotton program is not in compliance with WTO provisions.

The Council is devoting significant resources to help Administration officials defend this challenge to the domestic cotton program, step 2 and the export credit guarantee program.

Technical

Farm program and trade issues frame the market environment for growers, but the Council recognizes that a critical element in achieving the industry's goals for improved yields, quality enhancements and cost reduction is making optimal use of new technology.

With cotton producers planting 71 percent of their acreage to transgenic varieties in 2002, the Council has continued to work for government approval of these products and to ensure that resulting cotton and cottonseed products are not confronted with marketing restrictions.

Through the efforts of the Council's Quality Task Force, critical quality issues, ranging from short fiber to moisture management are being addressed.

The Bale Packaging Committee also is focused on quality preservation and the efficient movement of fiber after ginning. The committee called for a review of all specifications for bale packaging and ties to ensure they meet industry needs.

The Council has stepped up efforts to improve cotton flow by helping establish industry consensus on lightweight bale penalties and providing a coordinated communication for gins and warehouses not to reuse Permanent Bale Identification numbers.

Boll weevil eradication has gained momentum and complete eradication is within reach by 2005, as producers in several eradication zones have reaffirmed their commitment for the program.

Progress continues with the Bi-National Pink Bollworm Eradication Plan that will allow both the Southwest region and Mexico to use releases of sterile pink bollworms next season.

The Council continues to work closely with EPA on cotton crop protection registration issues, including the reassessment of the organophosphates Bidrin, Guthion, Malathion and Orthene.

Cotton Council International

With our industry's reliance on exports of raw cotton and cotton products, the Council has placed a high priority on overseas market development.

In 2002, the Council's overseas promotion arm, Cotton Council International:

- Placed a major focus on Western Hemisphere markets by hosting the Sourcing CBI Summit;
- Unveiled the Cotton Gold Alliance, a groundbreaking consumer advertising and trade servicing campaign designed to build cotton versus man made fiber demand; and
- Hosted almost 400 of the world's leading cotton buyers, U.S. cotton exporters and other industry leaders from 31 countries, at the 2002 Sourcing USA Summit in Arizona.

Observations on Varieties

I would like to share some of the observations I made about the significant advances in cottonseed genetics before many of our industry's domestic and export customers during the CCI Sourcing USA Summit in Arizona.

I pointed out that U.S. seed companies are making significant investments in research and development to produce new higher yielding and higher quality varieties.

I was pleased to report that there are a number of experimental conventional varieties, ranging from early to full season cottons, that have excellent potential for yield increases and quality improvements.

During my CCI presentation, I also had the opportunity to discuss biotechnology and cotton and respond to concerns about fiber quality.

Citing quality comparisons conducted by Council staff and six years of tests at 16 universities, I reported that the cotton industry's comprehensive study showed transgenic technology in and of itself has had no negative effect on fiber quality.

Our customers were pleased to learn that beginning next year, we can expect to see increases in staple length and strength and reduced micronaire, and can expect even greater improvements in following years.

Conclusion

In summary, I believe our industry has excellent prospects for achieving profitable cotton production and processing. The proceedings of this Conference will, no doubt, bear witness to the outstanding research programs underway and the availability of innovative technology

Still, though, there are many challenges before us. The role that research, education and technology play will be of increasing importance. Once again, the Conference theme speaks volumes—and the principal challenge for our industry is to focus our programs on the most important priorities in order to achieve maximum results from our limited resources.

I assure you that the Council will continue its longstanding commitment of its resources for technology development and transfer and bringing resolution to the technology-based priorities.

In concluding, I encourage your full participation in this morning's and tomorrow's general sessions as well as the special sessions, workshops and seminars being conducted both afternoons. These are excellent examples of the efforts underway in a wide array of scientific disciplines to lower costs and apply technology to a host of problems and opportunities.

I hope you enjoy the Conference and I extend best wishes for the year ahead.

Thank you.