

# 2006 NCC Report to Members

*Read about major activities carried out in 2005 under the leadership of 2005 National Cotton Council Chairman Woods Eastland (below).*



## Joint Message from the Chairman and the President

The National Cotton Council maintained a visible and determined presence among key decision-makers during 2005 in order to manage a myriad of issues that could have a far-reaching impact on U.S. cotton.

From Washington, DC, to Beijing, China; from Geneva, Switzerland to Mali, West Africa, NCC industry leaders and staff pressed hard on the industry's behalf. Numerous meetings were held with the Administration, our friends in Congress, U.S. agricultural groups, and foreign trade and agricultural leaders.

Among this year's top activities were: working for a reasonable budget reconciliation package, which involved fighting attempts to impose more restrictive payment limits; promoting the industry's priorities within the agriculture negotiations of the World Trade Organization's (WTO) Doha Round; satisfactorily settling the Brazil/U.S. cotton dispute; working for favorable agriculture and textile provisions in regional trade agreements, including the Dominican Republic-Central America and U.S.-Andean free trade agreements; and developing a more favorable trading environment with China.

The final budget reconciliation package was painful but equitable. Cotton clearly contributed its part to deficit reduction through the elimination of Step 2. Further harm was averted after the NCC led a coalition of organizations representing commodities, financial institutions and equipment manufacturers in calling on Senators to reject a divisive payment limits amendment and the Administration's initial budget proposal for much deeper cuts. If history is any indicator, this misguided amendment can be expected to surface again at virtually any time. The NCC will continue to build coalitions and urge Congress to reject any such amendments that establish artificial limits discriminating against regions, crops or organizational structure.

Early preparation for the next farm bill began and included industry members' participation in many of USDA's 40-plus "listening sessions" held across the country. NCC members consistently voiced strong support for maintaining many of the current law's provisions. Looming ahead are the Congressional farm bill hearings, which will be held frequently throughout 2006. The NCC will continue working to maintain farm law integrity in light of budget baseline and trade agreement pressures.

After the Dominican Republic-Central America Free Trade Agreement was satisfactorily modified, the NCC rallied in support of the pact. We recognized that it was the best opportunity for supplying Western Hemisphere industries with U.S. cotton fiber and cotton textile products and could help U.S. textile mills compete with surging Asian imports in the global, quota-free environment.

In partnership with the U.S. government, the U.S. cotton industry continued sharing its knowledge and experiences with West African producers to help these less developed countries improve their cotton production, processing and marketing. Unfortunately, the impacts of such efforts may be offset if global cotton consumption falters in the face of stiff competition from manmade fibers. There may be an escalation in West Africa and Brazil's insistence on the U.S. reducing farm supports.

The U.S. cotton industry also will continue to expand its global leadership role to cultivate customers. We must have the cooperation and assistance of the world's other cotton producing countries on increasing worldwide demand for cotton. We challenged these countries to find 26 million bales of lost demand by the end of 2010 and reminded them that aggressive advertising and promotion is needed to convince consumers of cotton's benefits over synthetic fibers.

Exports of U.S. cotton fiber, upland plus Pima, are expected to reach 16 million bales for the 2005-06 marketing year. We need this level of exports, and more, to keep our U.S. cotton

infrastructure in place and profitable. That will entail our garnering a healthy share of sales to China, which is expected to increase its total raw cotton imports by 10 million bales in 2005-06.

The NCC's export promotions arm, Cotton Council International, is playing a key role on these fronts. Additional Market Access Program funding for fiscal 2005 enabled CCI to build on its successful COTTON USA promotion program. Already operating in 50 markets worldwide, CCI, in partnership with Cotton Incorporated, is elevating its promotion of U.S. cotton's unique attributes and technical services for the industry to remain competitive.

The NCC also is working to ensure the industry does not lose sight of the need to produce the fiber types that can: 1) meet our customers' needs and 2) meet synthetic competition head on in rapidly developing markets like China, India and Pakistan.

The escalation of NCC's seed cotton/lint contamination prevention campaign was another effort aimed at pleasing U.S. cotton's customers – and one that had a positive impact on 2005 crop harvest and processing.

The NCC was diligent in looking after a wide range of other technical activities and programs. With more than nine million acres still under active boll weevil eradication, pressing for necessary federal funding to complete that effort was a primary objective. Likewise, funding was sought for pink bollworm eradication to keep that program moving forward.



**USDA projected a record U.S. upland cotton crop for 2005 of 23.7 million bales.**

The Cotton Foundation, which celebrated its 50<sup>th</sup> year in 2005, continues to offer significant support to cotton research and education endeavors through several outstanding special projects and the general projects that are funded by member firms' dues. Dues of \$376,000 in 2005-06 are supporting 30 general projects – all aimed at improving U.S. cotton's competitive position in the world marketplace. NCC staff estimates that taking into account cash and in-kind services, the Foundation's general projects enjoy a return of about \$3 for every dollar devoted to these projects.

After adding the cottonseed industry segment to its official family in 2004, the NCC was successful in bringing new member firms into the organization this past year. Overall, NCC members embraced the organization's two-tiered membership plan – a move that is strengthening NCC's ability to carry out its mission.

Our industry will be confronting several serious domestic and global challenges in the months ahead. However, U.S. cotton's central organization is armed and operating with adequate programming resources, a dedicated staff and committed leadership. This will ensure the NCC can effectively meet these challenges and help the industry grasp new opportunities in the months and years ahead.



Woods Eastland,  
Chairman



Mark D. Lange,  
President/CEO

## Legislative Affairs

*Major activities carried out during 2005.*

Budget reconciliation and preserving the cotton program's integrity commanded considerable attention from the National Cotton Council in 2005.

### **Budget**

The NCC responded quickly to the Bush Administration's 2006 budget proposal calling on Congress to evaluate its options within the context of U.S. cotton's need to remain competitive in world markets. A statement by NCC Chairman Woods Eastland also emphasized that agriculture should not be singled out or asked for greater sacrifice and that any reduction or weakening of the safety net provided by the 2002 farm law would negatively affect all Americans. NCC worked with other agriculture groups to convince budget negotiators to leave decisions on agriculture's budget requirement to the respective agriculture committees.



NCC Chairman Woods Eastland, who explains cotton classing to CCI's COTTON USA Orientation Tour participants, worked tirelessly on behalf of the industry throughout 2005.

Chairman Eastland, accompanied by industry representatives, also joined in meetings with House and Senate agriculture committee members and with Secretary of Agriculture Mike Johanns to communicate NCC's priorities in the 2006 budget. Those included protecting producer eligibility for farm program benefits, assuring that any necessary cuts are balanced and proportional and maintaining Step 2 for the farm law's life or, if circumstances prevent that, maintaining the program through the 2005-06 marketing year.

NCC letters to the Senate and House Agriculture Appropriations subcommittees conveyed U.S. cotton's strong support for the 2002 farm law and its solid opposition to re-opening it in order to further restrict farm

program benefits. The letters outlined the NCC's requests for solid funding for efforts ranging from eradication to export promotion.

NCC members also rallied to urge their Congressional representatives to sign onto respective letters to the House and Senate budget committee chairmen in support of preserving the 2002 farm law. Those letters eventually garnered numerous Representatives' and Senators' signatures.

The final Congressionally-approved budget plan called for legislation that would reduce spending for commodity, conservation and nutrition programs by \$3 billion. Later in the year, the NCC praised Sen. Saxby Chambliss for steering a budget reconciliation package through the Senate Agriculture Committee and for his leadership in defeating an amendment that would have changed the payment limit provisions of current farm law. An NCC-issued Action Alert resulted in members in each Cotton Belt state contacting Senators regarding that amendment.

The NCC also led a coalition of organizations representing commodities, financial institutions and equipment manufacturers in calling on Senators to reject that amendment offered by Senator Charles Grassley.

If history is any indicator, this misguided amendment can be expected to surface again at virtually any time. The NCC will continue to build coalitions and urge Congress to reject any such amendments that establish artificial limits discriminating against regions, crops or organizational structure.

The Congressionally-approved agriculture section of the reconciliation package did not extend commodity programs to 2011. The package also contained no across-the-board cuts for commodity programs; reduced advance direct payments to 40 percent for the 2006 crop year and to 22 percent in crop year 2007; terminated cotton's Step 2 program on August 1, 2006; extended the Environmental Quality Incentives Program to 2010 with funds reduced by \$1.27 billion in fiscal years 2007 through 2009 and \$1.3 billion in FY 2010; and extended the Conservation Security Program to 2011 with funds capped at \$1.954 billion between FY06 through FY10 and

\$5.65 billion between FY06 through FY15. It also cancelled funds available for the Watershed Rehabilitation Program prior to October 1, 2006.

Republican leaders in the Senate and House also refused requests to include a disaster assistance bill in the fiscal year 2006 defense appropriations bill.

## **Farm Law**

NCC leaders and staff also made numerous contacts with Administration officials, Congressional friends and leaders from other agricultural groups to defend the current farm law and convey the importance of maintaining the structure of the 2002 farm bill for its duration. This message was initially conveyed in a meeting with Secretary of Agriculture Johanns by NCC Chairman Eastland, Vice Chairman Allen Helms and other leaders.

This message also was voiced clearly and persistently by industry members to Secretary Johanns and other USDA officials at their farm bill listening sessions. NCC members participated in sessions in Nashville, TN.; Little Rock, AR.; Oklahoma City, OK.; Hutchinson, KS.; Lubbock, TX.; Fresno, CA.; Moultrie, GA.; Springfield, MO., and Phoenix, AZ. NCC members also delivered that message before several Congressional members, such as Senate Majority Leader Bill Frist and Rep. Jo Ann Emerson, who conducted forums in their states or districts. The NCC also submitted comments to a *Federal Register* notice seeking input on key questions regarding current and future farm programs.



West Tennessee cotton producer John Lindamood conveys his thoughts on farm policy to Senate Majority Leader Bill Frist.

Throughout the spring and leading up to the Administration's Step 2 announcement, the NCC participated in a number of meetings with USDA, the U.S. Trade Representative's Office, Congressional leaders and other agricultural groups. Immediately after their announcement, the NCC voiced opposition to the immediate elimination of Step 2 with both the Agriculture Committee chairmen and ranking members. Congress was urged to: 1) consider the significant market disruption and economic losses accompanying this proposal and 2) make a decision on Step 2 in the context of a new farm bill, or at the very least to consider other options rather than immediately eliminating the program.

In other activity, the NCC:

- Sent a letter to USDA asking the agency to expedite delivery of the final 2004 upland cotton counter-cyclical payment.

- Offered comments on the Conservation Reserve Program's future, particularly on how to re-enroll and extend CRP contracts expiring between 2007 and 2010.
- Submitted comments to USDA regarding the Environmental Quality Incentives Program and monitored changes to the program and potential effects on NCC members.
- Helped USDA publicize numerous initiatives, ranging from the Conservation Security Program national sign-up to the Farm Service Agency county elections.
- Arranged for a group of Texas and New Mexico producers to convey to their Congressional members/staff the need for continued federal funding of boll weevil and pink bollworm eradication and other beneficial initiatives.
- Monitored legal challenges to various commodity marketing/promotion programs, and one cotton apparel importer withdrew an administrative petition attacking the constitutionality of the Cotton Research and Promotion Program.
- Consulted with grower and ginner organizations prior to responding to USDA's proposed cottonseed assistance rules with comments that included suggestions to streamline the process and reduce the administrative burden on gins, while ensuring timely distribution of benefits.
- Briefed producer and ginner representatives on USDA proposals that would enable the Commodity Credit Corporation to recognize electronic agency designations without the necessity of a paper CCC Form-605.
- Joined House Agriculture Committee Chairman Bob Goodlatte and other key lawmakers and agriculture groups in recognizing the significant role biotechnology has played in agriculture.
- Coalesced with Supima, American Cotton Shippers, AMCOT and the National Council of Textile Organizations in requesting of USDA a change in the administration of the Extra Long Staple Competitiveness Program.

## Trade

*Major activities carried out during 2005.*

Trade policy's impact on the U.S. cotton industry increased in 2005 as international trade negotiations, free trade agreements and even international public opinion influenced the industry's future as never before.

### **WTO Doha Round**

NCC Chairman Woods Eastland and American Cotton Producers (ACP) Chairman John Pucheu were joined by senior NCC staff in Geneva to share concerns with World Trade Organization officials regarding the Doha Round of trade talks. Support was declared for a balanced and comprehensive agreement, but one that would not single out cotton for treatment that is different from agriculture as a whole, including an "early harvest." Eastland and NCC staff also shared that concern with the U.S. Trade Representative's office.

Likewise, NCC Vice Chairman Allen Helms told the Senate Agriculture Committee that the U.S. cotton industry was willing to support U.S. negotiators and fully participate in the Doha Round, provided cotton is treated equitably and not singled out and if meaningful improvements are made in market access.

Helms and Eastland were joined by NCC President/CEO Mark Lange in another Geneva meeting with Crawford Falconer. The newly appointed WTO chair of the agricultural negotiations and of the special cotton subcommittee expressed his desire to keep the subcommittee in a monitoring capacity only.

The NCC joined with the USTR and Congressional members in reacting against European Commission for Trade Peter Mandelson's call for singling out cotton for an early harvest. NCC responded to a similar proposal by a group of African countries saying, "The U.S. cotton program is not the source of economic hardship for farmers in African countries."

NCC staff, attending the WTO ministerial meeting in Hong Kong, conveyed industry concerns to U.S. negotiators about the continued efforts to single out cotton from the broader agricultural negotiations. Upon conclusion of the ministerial, NCC Chairman Eastland expressed appreciation to Ambassador Rob Portman and Agriculture Secretary Mike Johanns for their diligent efforts, but also noted the industry's extreme disappointment at the ministerial's declaration that calls for larger and quicker cuts for cotton.

Lange joined representatives of several commodity groups and general farm organizations in a roundtable discussion aimed at closing a loophole whereby the Subsidies Code rules can undermine the WTO negotiations.

### **U.S.-Brazil Dispute**

The NCC expressed its disappointment with the WTO appellate body's ruling in the Brazil/U.S. cotton dispute – a decision that upheld the dispute panel's determinations regarding the upland cotton program's Step 2 component, the export credit guarantee program, classification of direct payments and serious prejudice.

Following the ruling, NCC staff met with the USTR's office, key Congressional members and other commodity and general farm organizations regarding the NCC's plans for a response. Later, NCC Chairman Woods Eastland stressed to USTR and USDA officials the importance of their consulting with the U.S. cotton industry on a U.S. response and its implementation.

The NCC registered its opposition with USDA's proposal submitted to Congress in early July that called for the immediate elimination of Step 2. That move, the NCC pointed out, would alter a fundamental piece of the sales and marketing structure for U.S. cotton in mid-stream, harming many U.S. cotton producers, merchants and textile manufacturers. Eventually, a budget reconciliation package that included an August 1, 2006 termination of the Step 2 program passed the Congress and was signed into law.

## **U.S. Cotton Policy and Africa**

The NCC lauded the USDA and the USTR's office for their launch of "The West Africa Cotton Improvement Program" in November. The program, aimed at helping African cotton farmers improve farm income, emanated from a year of preparatory work by USDA and US AID working cooperatively with the U.S. cotton industry.



Participants from the C-4 West African countries, accompanied by leadership from Tuskegee University, hear about advances in cotton biotechnology during a stop in Mississippi as part of an integrated pest management training program.

Among the 2005 activities was a U.S. delegation accompanied by ACP Chairman Pucheu that talked with officials from five West African cotton-producing countries on ways to improve their cotton yields and quality. A follow-up conference in Mali enabled U.S. officials to discuss other technologies that could improve the Africans' crops. Later, West African officials participated in Cotton Incorporated's Engineered Fiber Selection conference, observed the Universal Cotton Standards conference and participated in three NCC co-sponsored training programs covering fiber classification, entomology, soil conservation and fertility.

## **DR-CAFTA**

Immediately following the Board's decision to support the Dominican Republic-Central America Free Trade Agreement (CAFTA), the NCC began an extensive effort to help secure the legislation's passage. Working in cooperation with the National Council of Textile Organizations (NCTO), the NCC pressed the Bush Administration on implementation issues such as cumulation and limiting third country participation.

Later, NCC Vice Chairman Allen Helms participated in an NCTO news conference that provided the NCC with the opportunity to publicly join with the Administration in urging Congress to adopt CAFTA. NCC leaders promoted the trade pact's passage through Congressional contacts, which included distribution of state CAFTA fact sheets for industry members to relay to their respective Congressmen. NCC staff and leaders also conducted meetings with the USTR office, generated letters to the editor, participated in other news conferences and offered Congressional testimony. That included former NCC Chairman Bob McLendon's appearance before the Senate Agriculture Committee and Southeast producers Sam Spruell's and Jimmy Webb's participation in a news conference of five Republican Congressmen from textile districts, who announced their CAFTA support.

## **China Trade**

Early in 2005, the NCC joined with the National Council of Textile Organizations and several other textile, fiber and labor organizations in support of a 2005 "platform" that called for actions to strengthen domestic manufacturing and the preservation of American jobs. That platform

included a commitment to the continuation of WTO-consistent restraints on imports of Chinese textile and apparel through either a bilateral agreement with China or special safeguards.

The NCC also participated with key textile, trade and labor organizations in a news briefing that shed light on the tremendous surge of Chinese apparel/textile products after quotas were lifted January 1, 2005. The NCC notified the USTR and the Committee for the Implementation of Textile Agreements (CITA) of government data, including U.S. Customs documents. The NCC then worked closely with the U.S. textile industry and the Administration to ensure appropriate safeguards be imposed against surging China imports.



Chinese combed yarn (301) was among several textile and apparel products on which safeguard petitions were affirmed by the Committee for the Implementation of Textile Agreements.

Throughout the year, the NCC supported the U.S. textile industry's filing of petitions to limit textile/apparel imports from China. Data provided by NCC's Economic Services Department was instrumental in convincing CITA of the need to implement safeguards, including the importance of self-initiating "threat-based" safeguards in product categories where U.S. market disruption was imminent. CITA reached affirmative decisions on the following petitions that were filed in 2004: 338/339 (Cotton Knit Shirts), 347/348 (Cotton Trousers), 352/652 (Cotton & MMF Underwear), 638/639 (MMF Knit Shirts), 301 (Combed Cotton Yarn), 340/640 (M&B Cotton & MMF Shirts, Not Knit), 647/648 (MMF Trousers), 349/649 (Cotton & MMF Brassieres) and 620 (Other Synthetic Filament Fabric).

In November, the United States and China signed a broad agreement on Chinese textile imports that went into effect on January 1, 2006 and is slated to end on December 31, 2008. The pact placed quotas on a broader range of textile and apparel products

(34) than were covered by safeguards (19). This agreement was widely seen as constructive by U.S. textile and fiber leaders. The NCTO also called for a separate textile sectoral negotiation in the WTO Doha Round to deny another opportunity for China to dominate trade in textile and apparel products.

The NCC was vigorous on additional activities related to China.

- It worked with the Administration, which conducted numerous meetings with Chinese officials about the way China allocates its raw cotton import quotas. An additional concern has arisen with the variable duty announced by China on imports in excess of its WTO commitment. This duty places the price of imported cotton above that of Chinese domestic polyester.

- The NCC capitalized on two opportunities to provide Congressional testimony on China trade issues. Bobby Weil testified before the House Ways and Means Committee and Tom Stallings appeared before the House Small Business Committee. In addition to quota allocation and textile safeguard issues, the testimony conveyed concerns regarding China's WTO raw cotton accession agreement compliance, including market access, contract sanctity, quality standards and evolving trade terms. Industry concerns also were shared about the cooperative efforts with the Chinese government as it endeavors to reform its cotton classification system.
- In June, NCC Chairman Eastland participated in a Cotton Council International-sponsored trip to China. He addressed the China Cotton Association's third international conference on the importance of global cotton promotion. The presentation also explained the advantages of U.S. cotton and fostered a better understanding of the U.S. cotton research and promotion program, as well as the need for China and other cotton-producing countries to establish similar self-help programs.
- NCC staffers went to China in the fall to interact with the China Cotton Association, an NCC-modeled organization. This endeavor was aimed at helping China reform its processing and classing systems but also to promote U.S. cotton with this important trading partner.
- The Coalition for a Sound Dollar, of which the NCC is a member, commended President Bush and Treasury Secretary John Snow for assertions that China should act immediately on currency reform. The Coalition also urged the Treasury Department to cite China for currency manipulation and expedite negotiations for putting it to an end. The NCC also remained active in the Fair Currency Alliance that urged the U.S. government to insist that China revalue and ultimately float its currency.

In other trade-related issues:

NCC Chairman Woods Eastland exhorted China and other major cotton-producing and consuming countries to join together in promoting cotton and increasing demand for the fiber on a global basis. Eastland stressed this need in two key presentations, the China International Cotton Conferences and the International Cotton Advisory Committee's plenary session.

NCC President/CEO Mark Lange was named to the Agricultural Policy Advisory Committee for Trade. Named to the Tobacco, Cotton, Peanuts, and Planting Seeds Agricultural Technical Advisory Committee for Trade were: Mississippi producer Kenneth Hood, Texas producers Dale Artho and Kenneth Dierschke, Missouri producer Chuck Earnest, and Alabama merchant Robert Weil, II. Also named to that ATAC panel were Billy Carter, Jr., North Carolina Cotton Producers Assoc.; Thomas W. Smith, AMCOT; Gary Adams, NCC's vice president, Economics and Policy Analysis; and Bill Gillon, NCC's counsel and advisor on trade issues.

## Communications

*Major activities carried out during 2005.*

The National Cotton Council capitalized on all of its communications tools to keep members quickly informed of how the NCC was managing key issues. That included the daily Cotton eNews, the *Cotton's Week* newsletter, and the AgDay Cotton's Week television spots and radio news lines.

The NCC also utilized its redesigned web site, [www.cotton.org](http://www.cotton.org), to post timely information ranging from Action Alerts to white papers. The NCC's swift response to the Bush Administration's 2006 budget proposal included a statement and numerous interviews with the national news media. The NCC conveyed its hope that Congress would evaluate the proposal's options within the context of keeping U.S. agriculture, including cotton, competitive in world markets.



NCC President/CEO Mark Lange is interviewed on trade and other key issues by farm broadcasters, Gary DiGiuseppe, left, Arkansas Radio Network, and Don Molino, Louisiana Agri-News Network, during the 2006 Beltwide Cotton Conferences.

To reach key audiences with the NCC's position on the current farm law and upcoming farm bill development, news releases were distributed throughout the Cotton Belt. Distributed following USDA's farm bill listening sessions, the releases contained points and quotes from NCC producer leaders about the need to maintain the 2002 farm law through its duration and the harm that further limitations on payments would cause to the production and rural economy sectors.

The NCC launched an extensive campaign of letters to the editor in support of the Central American Free Trade Agreement. NCC member producers and other industry members emphasized how a good CAFTA would help stabilize the U.S. textile sector and benefit U.S. cotton producers.

Interest from foreign journalists in the U.S. cotton industry and the federal farm program continued, though not as frenetic as 2004. Interviews were coordinated with NCC staff and industry leaders, including a Japanese public television film crew's visit to NCC headquarters and their taping at a West Tennessee farm for a piece in conjunction with the WTO ministerial in Hong Kong.

On the promotion front, the NCC worked with other commodity groups in supporting and publicizing *America's Heartland*, a weekly public television show celebrating the miracle of American agriculture.

NCC Secretary-Treasurer Craig Shook and NCC Vice President of Technical Services Andy Jordan joined farm leaders from other commodity groups at a news conference in Chicago to recognize the planting of the one-billionth acre of biotech-enhanced agricultural commodities. Shook and the other producers talked about the benefits crop biotechnology delivers to producers, consumers and the environment.



NCC Secretary-Treasurer Craig Shook, far right, joined Darrin Ihnen, far left, chairman of the National Corn Growers Association's Biotechnology Working Group, and Neal Bredehoeft, president, American Soybean Association, at the biotech milestone event in Chicago.

National Cotton Women's Committee officers conducted Ag in the Classroom national conference workshops for 500 teachers. That and their local efforts helped 1) increase educators' awareness of the cotton industry's impact on the national economy and 2) integrate cotton-focused lesson plans into existing curriculum requirements.

## Technical

*Major activities carried out during 2005.*

National Cotton Council staff worked in several regulatory arenas to ensure the U.S. cotton industry was not burdened with rules or denied access to products that would compromise its ability to compete in the world marketplace.

Densely packed baled cotton is no longer listed as a high hazard – and avoided severe requirements - after NCC-proposed changes to the International Code Council’s (ICC) Fire Code were approved. Texas warehouseman Bob Weatherford and NCC staff testified and presented sound science for not considering densely packed cotton bales as a flammable hazard. The ICC also adopted a NCC-supported change that ruled that cotton ginning, as an extension of the harvest, is an agricultural process, not a commercial or industrial operation.



Densely packed baled cotton is no longer listed as a high hazard – and avoided severe requirements - after NCC-proposed changes to the International Code Council’s Fire Code were approved.

American Cotton Producers member Charles Parker of Missouri joined other commodity representatives in stressing to EPA Deputy Administrator Marcus Peacock the importance of retaining important crop protection products. Those included cotton biotech products and malathion, necessary for the weevil eradication program, and aldicarb, needed for nematode and thrips control.

The Joint Cotton Industry Bale Packaging Committee agreed to develop a strategic plan for the industry’s bale packaging program, including the need to move toward a “Uniform Certification Program.”

NCC staff provided USDA’s Animal & Plant Health Inspection Service an orientation on cotton bale phytosanitary issues. The NCC’s Phytosanitary Accreditation Protocol Task Force, chaired by North Carolina warehouseman Coalter Paxton, III, developed a national compliance agreement aimed at minimizing the risk of plant pest/disease transfer during cotton shipment.

The NCC’s Quality Task Force, meeting in early 2006, agreed that international adoption of instrument standards similar to the U.S. instrument-based classing system will be in the best interest of both U.S. cotton and world textile mills. That panel also sanctioned NCC’s activities to continue communicating to industry the importance of sticky cotton prevention and of moisture management in cotton bales.

The NCC distributed compact discs of its “Prevent Lint Contamination” slide presentation to certified interest organizations as part of an ongoing NCC contamination prevention campaign as sanctioned by NCC delegates and the Joint Cotton Industry Bale Packaging Committee.

The NCC submitted recommendations in support of several USDA Agricultural Research Service cotton projects for 2006: aflatoxin control, including the use of bio-control product AF-36 in Arizona and South Texas; cotton genomics and biotechnology research to improve crops, irrigation cropping systems in the Mid-South and resistance management and risk assessment in Bt cotton and other plant protection products; the National Germplasm Resources Program; cotton genetics for improving yield and fiber quality; plant stress and conservation;

ginning research; pathology of *Fusarium* diseases; textile research to determine physical, biological and chemical analyses to explain variations in processing efficiency and end quality; genetic resistance to nematodes; and biological control research for cotton pests. Funding also was sought for regional research and education on reniform nematode for Mid-South states.



Protecting U.S. cotton producers' eradication investment has become a major focus of the NCC's Boll Weevil Action Committee.

The final two U.S. cotton production areas, the Texas' Northern Blacklands and the Lower Rio Grande Valley, joined the National Boll Weevil Eradication Program, which USDA estimates is now 80 percent complete. Protecting U.S. cotton producers' eradication investment is the focus of the NCC's Boll Weevil Action Committee. That panel established the Post Eradication Transition Subcommittee for transitioning to coordination/oversight of post eradication activities, including finalization of a federal weevil quarantine. A BWAC Post Eradication Technical Advisory Committee

also met for the first time in 2005.

Phase I of the Pink Bollworm Eradication Program – in West Texas, south central New Mexico and Chihuahua - made excellent progress with its sterile moth release effort. As a result of the program receiving \$5.22 million in federal funds for FY06, the NCC's Pink Bollworm Action Committee finalized plans to initiate Phase II – western New Mexico and eastern and central Arizona - of the three-phase program during 2006. An oversight committee was set up to coordinate with USDA-APHIS on the pink bollworm sterile moth rearing facility in Phoenix and on eradication programs in the San Joaquin Valley, Arizona, New Mexico, Texas and Mexico.

In other key 2005 activities, the NCC:

- Asked the Consumer Products Safety Commission to: 1) not regulate mattresses indirectly by regulating bedclothes, 2) work closely in an open and transparent way with California in the development of any standard to address the flammability of bedclothes and 3) make smolder resistance (cigarette ignition), not open flame, the focus of flammability standards for upholstered furniture;
- Asked EPA to amend oil spill prevention and response plans to consider the cotton gin bale press as oil-filled operational equipment not oil storage, to raise the tank threshold for coverage to at least 10,000 gallons instead of 1,320 gallons, and to regulate vegetable oil different from petroleum oil;
- Served as a cooperator for the National Cotton Ginners Association's 2005 Ginner School;
- Supported a bill to update and reform the Endangered Species Act;
- Joined other agricultural groups in urging Senate approval of Steven Johnson as EPA administrator;

- Urged EPA not to promulgate a coarse particulate matter standard unless or until research justified a health-based standard and adequate sampler technology is available; and
- Joined with other agricultural groups in urging the Senate to reject an amendment to the 2006 EPA and Interior appropriations bill that would prevent EPA from considering data from human studies when establishing pesticide tolerances.

# Cotton Council International

*Major activities carried out during 2005.*

As the National Cotton Council's export promotion arm, Cotton Council International (CCI) is dedicated to increasing U.S. exports of cotton, cottonseed and their products. With offices in Washington, Memphis, London, Hong Kong and Seoul, CCI plays a major role in strengthening key markets for U.S. cotton and cotton products in Europe, Asia, Latin America, the Middle East and Africa.

In 2006, CCI marks 50 years of successfully developing international markets for U.S. cotton fiber and cotton products. After five decades and major industry changes, one important fact remains: exports are vital to the U.S. cotton industry's financial health. Fortunately, today's global demand for cotton is four times greater than in 1956. For the 2005-2006 marketing year, the U.S. is projected to export 16 million bales – about 70 percent of U.S. production. China, Mexico, Turkey and Indonesia are today's key markets.

Today, CCI operates in 50 markets worldwide and has active representation spanning four continents. Its programs involve fiber servicing, consumer advertising, retail promotion, U.S. cotton textile export promotion and cottonseed meal projects.

## **U.S. Cotton Fiber Promotions**

In 2005, U.S.-grown cotton continued as the world's cotton fiber of choice because of innovation and competitiveness. U.S. exports now represent 40 percent of all cotton traded worldwide.

CCI's and Cotton Incorporated's U.S. Cotton Symposium in Turkey showcased U.S. cotton's fiber qualities. Organized around a special grant from USDA to promote Cotton Incorporated's Engineered Fiber Selection System (EFS), the symposium led to strong EFS licensing prospects and sales of 314,000 U.S. bales. The activity also produced three new COTTON USA Mark licensees which intend to produce 35,000 tons of open-end cotton yarn, knit fabric, bed linens and home textile products.

CCI continued to provide overseas customers firsthand exposure to the U.S. cotton production and supply system. In 2005, CCI and the U.S. cotton industry hosted three major groups of cotton fiber buyers.

The COTTON USA Special Trade Mission from Pakistan had representatives from eight Pakistani mills with combined annual consumption of more than 550,000 bales. Following the tour, one participant decided to shift sourcing for one of its mills to 100 percent U.S. cotton.

Twelve Chinese textile mills, with a combined annual consumption of 2.2 million bales, toured the U.S.

Cotton Belt as part of the first COTTON USA Special Trade Mission from China. The tour included seminars with key U.S. cotton organizations and visits to a farm, gin and denim mill.



The COTTON USA Special Trade Mission from Pakistan had representatives from eight Pakistani mills with combined annual consumption of more than 550,000 bales.

Textile executives from 13 countries participated in the 34<sup>th</sup> COTTON USA Orientation Tour. The event began at Cotton Incorporated's world headquarters in Raleigh, NC, and included stops at major cotton growing and trading centers in the Mid-South, Texas and California. The companies on this tour annually import some 467,000 U.S. bales.

### **Promoting U.S.-Made Cotton Textiles**

Economists predict U.S. exports of yarns, threads and fabric will reach 3.4 million bale-equivalents in 2005.

Trade agreements are crucial to keeping U.S.-manufactured cotton yarn and fabric competitive with Asian imports. NAFTA, CAFTA and a possible Andean Free Trade Agreement provide a framework for the U.S. textile industry to showcase its high quality yarn and fabrics to apparel manufacturers and jointly create a competitive platform for textile and garment trade in this hemisphere.

Through CCI's COTTON USA Sourcing Program and collaboration with Cotton Incorporated and interested U.S. manufacturers, CCI developed a robust program of support for U.S. cotton yarn and fabric manufacturers. The effort targeted Mexico, the Andean region and Central America. Seventeen U.S. textile manufacturing companies now have joined the COTTON USA Sourcing Program in carrying out its initiatives.

CCI worked with U.S. cotton textile manufacturers to invigorate their business in 2005:

- Leaders from 44 apparel manufacturing companies representing 10 countries visited U.S. textile operations to learn how to source U.S. yarns and fabrics during the COTTON USA CBI & Andean Apparel Manufacturers Tour. Participating buyers met one-on-one with U.S. mills and toured U.S. manufacturing operations.
- CCI and Cotton Incorporated representatives promoted the benefits of U.S. cotton and cotton products at the 17<sup>th</sup> annual Colombiatex trade show. Eleven U.S. manufacturers showcased their high quality cotton yarn and fabrics while pursuing opportunities in the Andean region. To facilitate commerce between the U.S. manufacturers and the 550 international buyers in attendance, CCI's Sourcing Program sponsored an international buyers' VIP business center.
- Sixteen U.S. mills were the highlight of the COTTON USA Pavilion during the "Apparel Sourcing Show 2005" in Guatemala City. U.S. mills received additional exposure in the show's directory, on banners and on cotton bags given to each attendee.
- At the COTTON USA Sourcing Fair in Costa Rica, 10 U.S. mills met with textile and apparel executives from the Andean and Central America/Caribbean region, as well as with Korean companies with apparel operations in that region.

### **Supply Chain Marketing**

CCI ramped up efforts to link all U.S. cotton users in a supply system that maximizes the U.S. fiber's use.

Examples of CCI's successes this year include displays at Texworld and Premiere Vision, the U.S. Cotton Pavilion at Heimtextil and the European Buyers Tour to China. At the Texworld and Premiere Vision trade shows in Paris, CCI and Cotton Incorporated featured the COTTONWORKS® Fabric Library and a Supima section.

At the Heimtextil home furnishings show in Frankfurt, Germany, the U.S. Cotton Pavilion was co-hosted by CCI and Cotton Incorporated and featured COTTON USA licensees from around the world who sold approximately \$6.5 million worth of U.S. cotton-rich home fashion products.

During CCI's European Buyers Tours to China, major apparel buyers, with an annual cotton product buying volume of \$329 million, visited key textile centers.

### **COTTON USA Mark Licensing/Promotion Program**

First launched in 1989, the COTTON USA Mark has grown to its current stature as the symbol of quality and value in apparel and home furnishing products. To increase the importance of the Mark in the eyes of the consumer and the trade, CCI builds Mark awareness among targeted consumers through advertising, promotions and events. For example:



CCI President Gary W. Taylor participates in the Japan Cotton Day 10th anniversary celebration.

- CCI's "Nothing Feels Like This" fashion shows featured major brands like Tommy Hilfiger and Nautica. Cotton fiber and product buyers attended the event along with fashion and lifestyle press from Hong Kong and China.
- The 10<sup>th</sup> annual Cotton Day event, which included major publicity events in China, Japan, Korea and Taiwan, generated \$2.7 million in media coverage featuring the COTTON USA Mark.
- In Germany, through the "Cotton Calling Campaign," U.S. cotton's message reached 82.5 million consumers. COTTON USA's "Nothing Feels Like This" promotion with German retailer Betten Rid generated more than \$852,000 in sales of home textiles labeled with the COTTON USA Mark.
- In Colombia, during CCI's "Dress Your Country" clothing drive, COTTON USA donated 28,000 pounds of clothes collected from school and public donation drives to Colombian families displaced as a result of violence within the country.
- CCI-Taiwan's "Pure Love of Cotton" sales promotion featured COTTON USA Mark licensees, representing 110 brands. Ten major TV channels re-broadcast the concert featuring the band 183 CLUB.
- CCI's sales promotion with Levi's in Korea led to \$732,000 in sales of COTTON USA Mark-labeled merchandise, a 17 percent increase over the previous year.

CCI will continue to work around the clock and around the world to develop international markets for U.S. cotton, cottonseed and their products. CCI is supported in its endeavors by the NCC; Cotton Incorporated; the American Cotton Shippers Association; the American Cotton Marketing Cooperatives; the National Cottonseed Products Association; the New York Board of Trade; the San Joaquin Valley Quality Cotton Growers Association; Supima; the Southern Cotton Growers; Monsanto - through The Cotton Foundation; USDA and COTTON USA Mark licensees worldwide.

# The Cotton Foundation

*Major activities carried out during 2005.*

The Cotton Foundation celebrated its 50<sup>th</sup> anniversary in 2005. Today's Foundation still vigorously carries out its mission of encouraging, facilitating and conducting cotton research and education. However, support is weighted toward projects that can help the NCC carry out its mission of providing U.S. cotton industry members a world marketplace advantage.

[The Cotton Foundation](#) was able to maintain [70-plus members](#) as agribusiness mergers and acquisitions continued in 2005. These member firms' dues (\$376,000) went entirely in support of 30 general research and education [projects](#) for 2005-06. Investments and Washington building rental income also provided a small portion of the funding for these projects.

The 2005-06 Foundation general projects range from "Electronic Publication of the *Journal of Cotton Science*" to "Confronting Quality Challenges." These projects are supporting work in such important arenas as yield and quality enhancement; precision farming, pest management, air quality and other regulatory concerns.



The 2005-06 class of the Cotton Leadership Program - the Foundation's longest-running special project - visited NCC headquarters for an industry orientation.

The U.S. cotton industry is enjoying a healthy return on investment from these endeavors, too. NCC staff estimates that taking into account cash and in-kind services, the Foundation's general projects enjoy a return of about \$3 for every dollar devoted to these projects.

The Foundation's 12 special projects, funded by grants over and above member dues, contributed to the industry's health. From developing future industry leaders to increasing

awareness about nematode damage/control, these projects played a valuable role in keeping U.S. cotton competitive in the global marketplace. In addition, individual Foundation member firms continue to support key NCC communications vehicles, including the [Cotton's Week](#) newsletter, [AgDay Cotton's Week](#) and the [Daily Cotton eNews](#) electronic newsletter.

# Video Staff Report

<http://www.cotton.org/about/report/2009/video-staff-report.cfm>