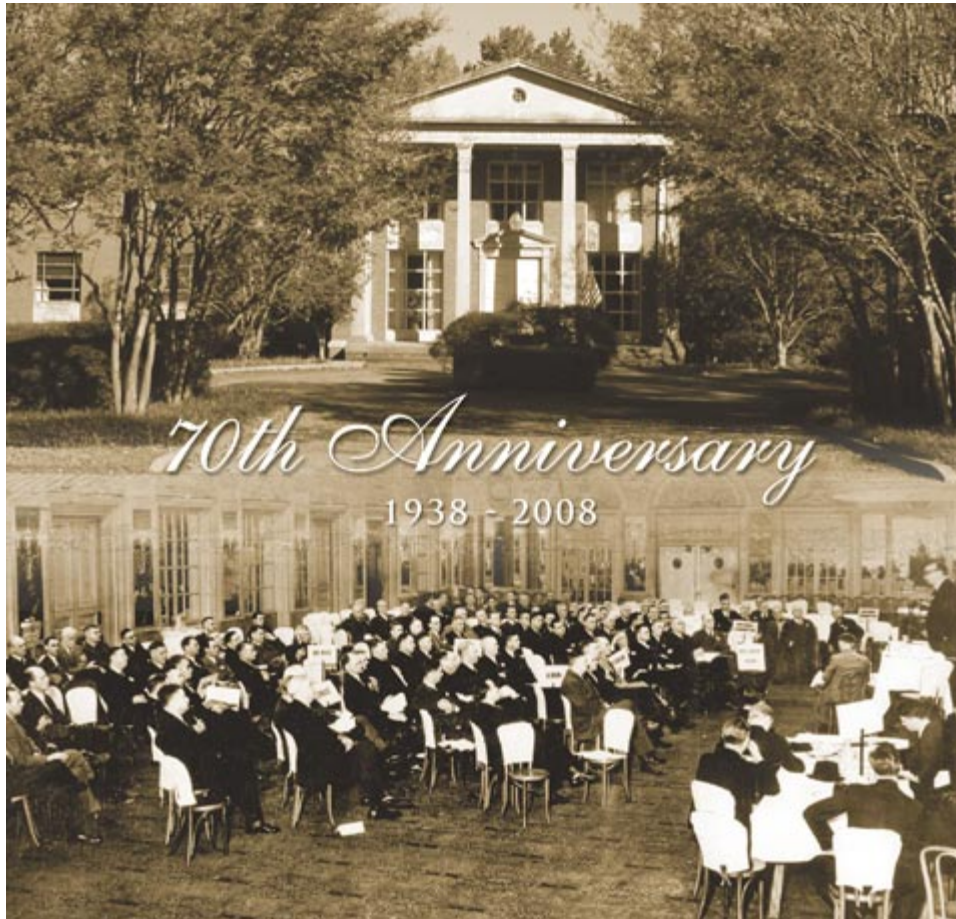


2008 NCC Report to Members

Read about major National Cotton Council activities carried out in 2007



The National Cotton Council of America, scheduled to move from this midtown Memphis headquarters building in May 2008, celebrated its 70th anniversary during its 2008 Annual Meeting in February at Memphis' Peabody Hotel -- which also was the site of this November 1938 initial NCC organizational meeting.

Joint Message from the Chairman and the President

Early in 2007, National Cotton Council leadership sharpened its focus on farm policy development -- amidst calls for reform and during a period of unstable negotiations in the World Trade Organization's Doha Round.

Fortunately, the respective versions of the House- and Senate-passed farm bill contained many NCC-sought provisions. However, as 2007 drew to a close, farm legislation had not cleared a House-Senate conference or gained Presidential approval.

The Doha Round negotiations demanded considerable energy and time from NCC leadership and staff as attempts to single out cotton for separate reforms escalated. The NCC frequently and clearly communicated its opposition to any text that included inequitable cotton-specific language and pressed U.S. negotiators for a stronger commitment on market access.

Viable overseas market access is becoming more crucial to the U.S. cotton industry's health. However, Cotton Council International's market development activities more than kept pace with the challenge of exporting as much as 75 percent of the U.S. cotton crop. Through a combination of staff and contract representatives, CCI's presence overseas now includes on-ground personnel in 16 countries, with active programs in more than 50 countries. CCI-managed market development programs overseas have reached \$71.6 million.

Attention continued to be given to China, U.S. cotton's largest customer. A cotton quality team briefed Chinese mill customers in a visit to that country and U.S. industry leaders reinforced that message in meetings with a Chinese cotton-buying delegation during its U.S. Cotton Belt tour.

Although 2007 U.S. cotton acreage was significantly lower than in recent history, per acre yields set a modern-day record – a testament to producers' discerning use of available technology and production practices.

The NCC remained very active on regulatory issues and intensified its educational outreach. For example, those latter efforts ranged from the revival of the *Cotton Physiology Today* newsletter to communicating the importance of producing uniform bales. Cotton research and education was augmented by The Cotton Foundation, which continued to maintain substantial support from agribusiness allies.

Calendar 2007 marked the end of the NCC's tenure in its headquarters building at 1918 North Parkway in Memphis. The building, which had served the industry well since its completion in 1955, was in need of extensive and cost-prohibitive repair. After a thorough search of suitable property, land was purchased in east Memphis, and groundwork at the site began on a new headquarters building slated for occupation in May, 2008.

The NCC also completed work on its third chronicle of the organization's activities and achievements on behalf of the U.S. cotton industry. "U.S. Cotton and the National Cotton Council – 1988-2007," a book authored by retired NCC President/CEO Gaylon Booker, was written prior to the NCC's 70th Annual Meeting in Memphis in February 2008 and will be distributed to NCC leaders following that meeting.

While numerous farm and trade policy issues remain unresolved as this annual report was completed in late 2007, industry members can be assured that a sound strategy is in place to pursue a course that will strengthen industry members' competitiveness. NCC efforts will be bolstered by exceptionally strong industry participation in a new finance plan coupled with seasoned, competent staff guided by highly motivated and politically astute industry leaders.



John Pucheu
Chairman (2007)



Mark Lange
President/Chief
Executive Officer

Legislative Affairs

Major activities carried out during 2007.

New Farm Legislation

Aware of the 2002 farm law's September expiration, National Cotton Council leaders and staff emerged from the 2007 Annual Meeting with farm legislation improvement as a goal.

Efforts were immediate as the Administration soon released its proposal for 2008-2012 farm legislation, and the NCC subsequently solicited and received cooperation from USDA in conducting a thorough review of the marketing assistance loan.

Specifically, the USDA's assistance was sought in reviewing the "discovery of premiums and discounts," factors determining the loan repayment rate and loan repayment and redemption practices. In the absence of seven-segment agreement to seek administrative changes in the operation of the marketing loan for the 2007 crop, the American Cotton Producers sought changes independently -- and unsuccessfully. USDA refused to act, citing both budgetary concerns and lack of industry consensus.

After discussions spanning four months by a special study committee chaired by NCC Vice Chairman Larry McClendon, agreement was reached to recommend changes in a number of existing marketing loan provisions with the goal of improving competitiveness, speeding movement of cotton to the market, and strengthening the industry's ability to defend the marketing loan against the numerous challenges from a number of domestic and foreign sources. The study committee's recommendations were first approved by the NCC's Executive Committee and then by the full Board.

The broad-based recommendations included: changes in the calculation of loan premiums and discounts; urging USDA's Agriculture Marketing Service to explore additional sources for price data; using a different methodology for valuing leaf, color and micronaire in premiums and discounts; using a different protocol for discovering the adjust world price (AWP) and adjusting it for average location and quality differences; adding an adjustment to the AWP for trade barriers; employing a new, seamless procedure for old and new crop AWP calculations; making changes in loan repayment and LDP procedures; and changes in rules for storage credit on loan cotton transferred from one warehouse to another. It was agreed that the AWP changes would be sought for the 2007 crop. The NCC's comprehensive agreement was presented to USDA Under Secretary Mark Keenum by NCC Farm Policy Task Force Chairman Woody Anderson, American Cotton Shippers President and NCC Director Andy Weil, III, and NCC Director Mike Quinn.

After the House Agriculture General Farm Commodities Subcommittee's commodity title proposal reduced cotton's target price from 72.40 cents/pound to 68.61 cents/pound, NCC was successful in convincing Congressional Budget Office officials that certain provisions of the cotton program had not been taken into account in their initial budget estimates. The revised score allowed the cotton target price to be set at 70 cents.



NCC Chairman John Pucheu testifies regarding farm policy before the Senate Agriculture, Nutrition & Forestry Committee.

NCC eventually decided to support the subcommittee's package in exchange for Chairman Peterson's (D-MN) commitment to: 1) support the NCC's proposed package of changes to the marketing loan program and 2) oppose any attempts to further limit payments.

Subsequently, the House passed the Farm, Nutrition and Bioenergy Act of 2007 on a vote of 231 to 191 – legislation which incorporated many NCC-sought provisions to reform and improve the cotton program.

In early September, Senate Agriculture, Nutrition & Forestry Committee Chairman Tom Harkin (D-IA) released his proposed commodity title. American Cotton Producers Vice Chairman Chuck Coley joined NCC President Mark Lange in a session with national commodity organizations to discuss the status of new farm law debate and to seek consensus on a response. They also met with Senators Saxby Chambliss (R-GA) and Kent Conrad (D-ND) to stress NCC priorities for new farm law. The NCC then joined with other national commodity organizations on a letter urging the Senate committee to move expeditiously with mark-up and passage of new farm legislation.

Following the markup in late October, the NCC expressed deep appreciation for the successful efforts of Senators Chambliss, Blanche Lincoln (D-AR), Conrad and Harkin in guiding farm legislation through that panel and complimented Senators Chambliss, Lincoln, Thad Cochran (R-MS) and Lindsey Graham (R-SC) for including provisions that address many of the cotton industry's priorities.

The NCC added Congressional contact information, farm bill summaries and talking points to a special "Farm Bill" page that had been created on its web site during House farm bill consideration. An "Action Alert" was issued to members urging them to thank their Senators for their work on the farm bill and asking them to vote against any damaging amendments that were expected to be introduced on the Senate floor – including specific opposition to a Grassley-Dorgan amendment on payment limits.

The NCC also joined with other agricultural organizations on letters to Senators Harkin and Chambliss urging them to support the legislation reported out of the Senate agriculture committee during Senate floor action and to oppose the Grassley-Dorgan amendment. NCC letters to Cotton Belt Senators asked them to urge the same. Later, a letter also was sent to the Senate Majority and Minority Leaders, Reid (D-NV) and McConnell (R-KY), urging a prompt resolution to the amendment process for the 2007 farm legislation.

Unfortunately, Senate activity stalled when disagreement arose over several amendments offered by both Democrats and Republicans, and a subsequent cloture vote failed. The Senate later reached agreement to res-start debate after a five-week delay. The negotiations included an agreement limiting debate to amendments that were germane to the bill.

The Senate passed its farm bill in December by a vote of 79-14, and it also contained a number of NCC-favored provisions.

The NCC joined 31 other agricultural organizations on a letter to the Senate and House Agriculture Committee chairmen and ranking members, thanking them for providing a three-month extension of current law but urging completion of the farm bill conference report by no later than late January or early February.

In other farm policy/legislative-related activity, the NCC:

- Mobilized opposition to FARM 21 legislation, introduced by Reps. Kind (D-WI), Flake (R-AZ) and Reichert (R-WA) that would have dramatically altered commodity, conservation, energy and nutrition programs
- Asked Secretary of Agriculture Mike Johanns to announce the second advance 2006-crop counter-cyclical payment for upland cotton
- Joined a coalition of commodity and livestock organizations urging House approval of a disaster assistance package
- Met with the House Agriculture Appropriations Subcommittee to solicit their support of the industry's funding priorities, including boll weevil and pink bollworm eradication, research projects and retention of storage credits when the adjusted world price is below the loan
- Worked with USDA and key Congressional committees to ensure an appropriate transition to the Far East index after Cotlook Limited announced their intention to discontinue the Northern Europe "A" Index effective August 1, 2008
- Thanked Senator Saxby Chambliss (R-GA) for his rebuttal of a *Washington Post* editorial critical of the U.S. cotton program

Trade

Major activities carried out during 2007.

World Trade Organization

Doha Negotiations

NCC Chairman John Pucheu expressed concern about the timing and potential bias of a high profile session on cotton scheduled as part of the Doha negotiations – within two weeks of oral arguments in the Brazil-U.S. cotton compliance dispute. NCC leaders, including American Cotton Producers Chairman Jay Hardwick and former NCC Chairman Woody Anderson, participated in a NCC-coordinated telephone briefing for news media to explain those concerns.

By mid-2007, agriculture remained a major obstacle for negotiators in the WTO Doha Round even though the United States had tabled a proposal for reducing subsidy ceilings by 60 percent provided it would receive commensurate increases in market access.

The NCC supported the U.S. proposal, even though cotton had less to gain from market access than most other commodities. The NCC also made it clear to U.S. negotiators that a successful Doha Round for cotton must include significant increases in market access to China. In a letter to Chief Agricultural Negotiator Dick Crowder, Chairman Pucheu said, "The access should be not less than 16 million bales annually and should be administered in a way that provides uninterrupted access for all potential buyers regardless of mill ownership or the end-market for products manufactured at the facility. The NCC also expressed continued support for a sectoral

agreement covering textiles that would address “tariff equalization and maintain safeguard provisions.”

Chairman Pucheu also responded to and criticized two “challenge” papers issued by Crawford Falconer, chairman of the WTO agricultural negotiations. The second paper was seen as containing flexibilities that would allow countries such as China to avoid any meaningful commitments on market access.

Throughout the year, the NCC monitored attempts to isolate cotton in the Doha negotiations, including WTO Director General Pascal Lamy’s “cotton day” in Geneva and its inflammatory statements about the U.S. cotton program. The NCC circulated a paper rebutting Oxfam’s unfounded criticisms of the program. A letter also was sent to U.S. Trade Negotiator Susan Schwab commending her efforts to negotiate a workable agreement. A NCC paper in response to Falconer’s modalities text stated that approval of that language would assure that U.S. farm policy was written in Geneva and not in Washington, and the NCC called on the Administration to oppose the text and any subsequent text that included inequitable, cotton-specific language.

As Doha Round negotiations continued into the fall, the United States signaled its willingness to reduce the ceiling on “trade distorting” farm subsidies from \$48.2 billion to between \$13 billion and \$16.4 billion. The offer was said to be contingent upon other countries reducing their agricultural tariffs. Such a trade, if accepted, would produce a major net loss for U.S. cotton. Working in cotton’s favor, however, was a widely held view that international trade agreements, in general, had not served the United States very well in recent years. Accordingly, 2008 candidates for the White House and Congress were expected to be extremely reticent to support a WTO agreement that could put a significant number of votes at risk.

A bipartisan group of Senators urged the Bush Administration to reject the deep cuts proposed for cotton. Ten Cotton Belt Senators warned that treating cotton differently than all other agricultural products would “further erode support in the U.S. Congress for the WTO and the Administration’s trade agenda.” The Senators also linked the cotton issue to their support for renewal of Trade Promotion Authority.

Meanwhile, NCC Chairman Pucheu, Vice Chairman Larry McClendon, President/CEO Mark Lange and Vice President for Economics and Policy Analysis Gary Adams met with delegations from other countries in Geneva to communicate concerns about negotiating terms which, if adopted, would leave little of the U.S. upland cotton program intact. With assistance from the U.S. Trade Representative's office (USTR) and the U.S. Mission in Geneva, meetings were held with delegations from Greece, the EU, China and Brazil. A meeting was also held with the combined representatives of what is called the Cotton-4 (C4)



NCC Chairman John Pucheu, right, and Steve Censky, president of the American Soybean Association, were among American farm organization executives in Geneva to discuss U.S. agriculture's concerns with the WTO negotiations.

countries -- Benin, Burkina Faso, Chad and Mali. The NCC delegation also met with Ambassador Falconer and other WTO staff members, and cautioned that approval of such provisions would further erode U.S. Congressional support for the WTO agreement and for renewal of Trade Promotion Authority.

Chairman Pucheu, Vice Chairman McClendon and ACP Chairman Hardwick then met with USTR, USDA and Congress to convey the industry's serious concern with the cotton-specific language in the Falconer negotiating text. The delegation urged the Administration to communicate its strong objections to the language and to make clear that it would not agree to inclusion of the language. In meetings with Senate and House agriculture committee members and Cotton Belt delegations, the leaders urged them to tell USTR that Congress would reject a final agreement that did not include significant modifications.

The NCC also joined with several commodity organizations on a letter to President Bush reiterating its deep concern with the status and direction of the Doha Round. The letter cited the severe imbalance reflected in the current agriculture text between sharp reductions and limitations on domestic support for U.S. agriculture and undefined or far weaker commitments on market access. Later, Chairman Pucheu and William Gillon, the NCC's International Trade attorney, joined a U.S. agriculture delegation in Geneva to reiterate the message that a Doha Round agreement must contain significant gains in market access for U.S. agricultural commodities or it faces uncertain support in the U.S. Congress.

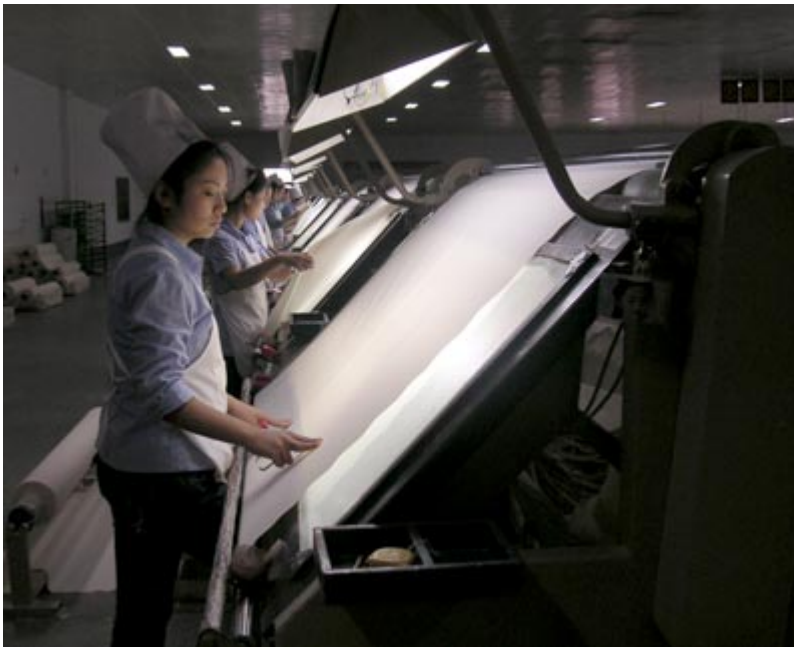
Brazil-U.S. Cotton Case

WTO panel rulings against U.S. cotton during 2006 and 2007 served to embolden Brazil and others to widen their challenges of the WTO-legality of U.S. agricultural programs. USTR called the allegations “unfounded,” saying the United States had not exceeded its allowable spending level.

The USTR and the NCC expressed disappointment with a WTO panel ruling that found the United States’ changes were insufficient to bring the challenged measures -- certain support payments under the 2002 farm bill and export credit guarantees -- into conformity with U.S. WTO obligations. Both of their statements also reasserted their shared belief that the earlier changes brought the cotton program into full WTO compliance. If the ruling is not appealed, or if it is upheld upon appeal, Brazil is entitled to impose higher tariffs on U.S. products and services until the cotton program is further changed and supports reduced.

China

In testimony to the Interagency Trade Policy Staff Committee, NCC Director Mike Quinn urged that panel and USTR to make market access to China a priority for the Doha Round negotiations. He told the panel that China, though, has initiated and maintained practices which distort markets and limit access.



While on a tour to study China's textile industry, a team of U.S. cotton industry leaders visited this Weiqiao Textile Company facility in Shandong Province.

A team of leaders, led by Vice Chairman McClendon, traveled to China to ascertain the needs of China’s textile industry and to update them on strides made in U.S. cotton quality and flow.

The NCC arranged for industry leaders and Congressional Members to meet with a major Chinese cotton buying delegation on its stops across the Cotton Belt and joined Cotton Council International in sponsoring a team of leaders from the China Cotton Association which toured the U.S. Cotton Belt to learn more about the U.S. cotton industry.

Trade Promotion Authority

NCC Board Member Andy Warlick, president/CEO of Parkdale Mills, told the Senate Finance Committee, that the textile industry's support for an extension of Trade Promotion Authority was conditioned on the inclusion of appropriate textile-specific negotiating objectives regarding the Doha Round of trade negotiations.

U.S. Trade Representative Susan Schwab, Agriculture Secretary Mike Johanns, Commerce Secretary Carlos Gutierrez and Senator Charles Grassley (D-IA), the Senate Finance Committee's ranking Republican, made a September appeal for greater Congressional support for the Administration's trade agenda. They specifically sought support for agreements with Peru, Colombia, Panama and South Korea – and the NCC joined with a coalition of 45 food and agriculture organizations on a letter to Congressional members urging prompt consideration and passage of free trade agreements concluded and signed with Colombia and Peru. Sufficient common ground between the Administration and the Congress was still lacking late in 2007.

On another trade-related issue, the NCC joined textile organizations in urging support for the companion bills of Sen. Dole (R-NC) and Rep. Hayes (R-NC) that would confer the rank of Ambassador on the U.S. Trade Representative's chief textile negotiator.

Communications

Major activities carried out during 2007.

Public Attitudes

The National Cotton Council joined with a coalition of farmers and commodity groups in support of the non-profit Farm Policy Facts (FPF), created to educate Americans, particularly Congress, about agriculture's contributions to a strong and vibrant United States. NCC's FPF activities included urging industry members to petition Congress to “soundly reject any legislation that would destroy current farm policies and/or raid money budgeted for farmers and ranchers.”

A weekly e-newsletter was added to FPF's web site, FarmPolicyFacts.org, which also can be accessed from a NCC web site link: <http://www.cotton.org/about/related-orgs.cfm>.

The NCC circulated a paper rebutting Oxfam's unfounded criticisms of the U.S. cotton program and also submitted rebuttals to misguided editorials in both *The Wall Street Journal* and *The Washington Post*.

To draw more attention to concerns with the timing of a high profile session on cotton in the World Trade Organization Doha negotiations, a NCC-arranged telephone briefing was held with news media. American Cotton Producers Chairman Jay Hardwick told the media that, “We are concerned that these actions at this time are trying to produce an even more inequitable Doha

Round Agreement for U.S. cotton – one that unfairly targets U.S. cotton producers and the U.S. cotton program.”



Support was given to *America's Heartland*, the weekly television program that This weekly PBS television program highlights the diversity and success of American agriculture.

Support was given to *America's Heartland*, the weekly television program that highlights the diversity and success of American agriculture – and targets a largely urban audience. Support included committee service with other commodity organizations to identify and develop ideas for specific episodes and ways to publicize them. Programming schedules can be found at www.americasheartland.com. The outreach effort is now in its third season.

cotton industry and this nation of that industry-government partnership effort.

NCC staff met and consulted with *Commercial Appeal* writers to provide them background/fact-checking on the National Boll Weevil Eradication Program. The Memphis newspaper's three-part series, which ran in November, included a focus on the benefits to the U.S.

Information Services

The NCC conducted a telephone news briefing with trade writers and broadcasters to announce the NCC's involvement in a multi-pronged, producer-aimed educational effort. The initiative included: 1) the Cotton eXtension Community of Practice, a web-based cotton information/data delivery platform that was launched at the 2008 Beltwide Cotton Conferences; 2) a new Beltwide Cotton Conferences' Cotton Consultant Conference for the 2008 forum; and 3) the re-introduction of the NCC's *Cotton Physiology Today* and the future direction of that newsletter.

Promotion and public relations support was given to Cotton Council International, The Cotton Foundation and to various cotton interest organizations such as the American Cotton Producers, the National Cotton Ginners Association and others. For example, CCI support included work on its annual directory, buyer's guide, calendar, quarterly newsletters, CCI-FAX, as well as various audiovisual reports.

Audiovisual projects were conducted for both the NCC and other industry organizations. Among those efforts were the 2007 NCC staff report work with the National Cotton Ginners Association on revising scripts and acquiring footage for updating its gin safety videotapes.

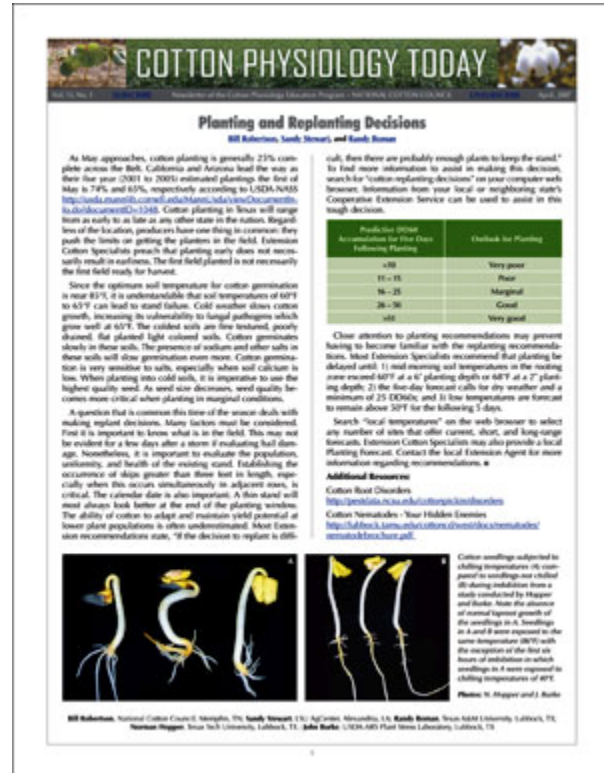
Support was provided for retired NCC President/CEO Gaylon Booker who compiled the third historical publication on the NCC -- "History of the National Cotton Council – 1988-2007."

Technical

Major activities carried out during 2007.

Research/Education

The NCC re-introduced *Cotton Physiology Today*, a newsletter that provides in-depth discussion of technical and production issues as the cotton growing season progresses. The electronically-transmitted newsletters, at



The *Cotton Physiology Today* newsletter was re-introduced in electronic format in 2007.

<http://www.cotton.org/tech/physiology/index.cfm> on the NCC's web site, contain proven strategies to help growers manage practices ranging from variety selection to harvest timing. The original *Cotton Physiology Today* newsletter was initiated in 1989 and published until 2001.

The newsletter is produced by Dr. William C. "Bill" Robertson, who joined the NCC in early 2007 as manager, Cotton Agronomy, Soils and Physiology. Robertson also has responsibility for program planning and overall coordination of the annual Beltwide Cotton Production Conference. Robertson also coordinated the creation of a new "Cotton Consultants Conference" that was offered at the 2008 Beltwide Cotton Conferences.

The NCC put its support behind Cotton eXtension, a major educational effort that provides an interactive learning environment delivering the best and most complete source of unbiased research-based knowledge from land-grant universities across the Cotton Belt. eXtension is a new tool for Cooperative Extension educators, agents and specialists to use in engaging existing and new customers/clients.

Regulatory

Also joining the NCC's Technical Services department, now led by NCC Vice President Bill Norman, was Dr. Donald "Don" Parker. Parker serves as manager, Integrated Pest Management and assists with management of The Cotton Foundation.

The EPA agreed that producers growing Bollgard II and Widestrike in specified areas no longer will be required to plant a structured, non-Bt cotton refuge – a move the NCC's Environmental Task Force sought (natural refuge for all two-gene Bt products) during the agency's review. The NCC also filed comments on EPA's Advance Notice of Proposed Rulemaking regarding regulation of plant-incorporated protectants as a pesticide, noting that requiring additional labeling would be redundant and duplicative to the stewardship agreement.

A letter of support was submitted urging USDA's Animal & Plant Health Inspection Service (APHIS) to proceed with the development of an Environmental Impact Statement (EIS) relative to the proposed use of genetically engineered insects, including pink bollworm, in ongoing pest control programs.

The NCC commented to EPA with product use data and support for continued use of aldicarb (Temik® insecticide).

The NCC filed comments with EPA in support of the continued use of the MSMA herbicide. NCC Environmental Task Force member Bowen Flowers told an EPA panel of the problems cotton producers might face with weed control if MSMA was cancelled, especially as glyphosate and ALS inhibitors are becoming ineffective in certain growing areas. The Clarksdale, MS, producer also was selected by USDA to serve on the Secretary of Agriculture's Advisory Committee on Biotechnology and 21st Century Agriculture.

The EPA approved early season use of dicotophos insecticide (Bidrin) after the NCC, AmVac representatives, entomologists and crop consultants demonstrated shifting pest pressures and the need for controlling foliar thrips.

The need for continued availability of carbofuran was conveyed to EPA. The NCC emphasized the insecticide's effectiveness on cotton aphids when used under Section 18 emergency exemptions. The NCC also joined with other cotton interest organizations in meetings with EPA to finalize mitigation measures for aldicarb which will allow its continued use. In addition, the NCC continued to stay engaged with EPA as it considers the registration status of endosulfan.



A Study Group was appointed to develop a proposed protocol for structuring and financing boll weevil post eradication efforts.

NCC's Worker Protection Standards Workgroup reviewed EPA's position papers on Worker Protection Standards issues. The working group, chaired by Cannon Michael, addressed the issues in separate letters to EPA and will continue monitoring EPA's activity, including any proposed rulemaking, which is expected in the fall of 2008.

EPA was asked by a coalition of 13 agricultural organizations that included the NCC to publish a final regulation requiring pesticide registrant's participation in recycling empty, non-refillable plastic pesticide containers.

The NCC believes a uniform, national recycling program offers the most effective incentive for proper rinsing and disposal of empty containers, as well as ensuring availability of inspection and collection centers.

Pest Management

The NCC's Boll Weevil Action Committee reviewed the status of eradication for each state still in active eradication in 2007 and determined the program's federal cost share funding allocation. The committee also is engaged in the establishment of a national quarantine program to 1) address potential outbreaks in areas where eradication is completed and 2) develop a post eradication plan as these efforts near completion. At the request of the previous year's Boll Weevil Executive Committee, a Study Group was appointed to develop a proposed protocol for structuring and financing boll weevil post eradication efforts. The Study Group provided a brief report of their first meeting which focused on identifying needs, possible funding components, and beginning development of a framework that will serve to structure a workable system.

The NCC's Pink Bollworm Action Committee reviewed 2007 program results and discussed plans for 2008. Programs in Phase I in Trans Pecos/El Paso; south and central New Mexico; and Chihuahua, Mexico all reported excellent progress in pink bollworm eradication. Phase II, initiated in '06 in east and central Arizona, also reported an excellent first year. Expansion into western Arizona and adjacent areas of California occurred in '07. Pheromone trap captures showed a late season migration of pink bollworm moths from areas not yet in the eradication program moving into eradication areas. The committee recognized the need to include remaining pink bollworm population areas into the eradication program in order to prevent a loss of progress.

Cotton Flow/Packaging

Early in 2007, USDA announced an “interim” process for a one-time transfer of Commodity Credit Corporation (CCC) loan cotton from one approved warehouse to another. In March the interim process was superseded with a fully automated procedure. This move, which allowed merchants and marketing cooperatives to respond more quickly to domestic and export sales, was consistent with resolutions developed by the NCC’s Performance and Standards Task Force.



NCC's Performance and Standards Task Force assisted the industry on several initiatives aimed at improving cotton flow.

The Task Force was asked by the NCC’s Cotton Flow Committee to assist the industry in the development of a standardized warehouse scheduling tool and to study the field-to-fabric flow.

The NCC also began a weekly posting on its web site of the number of warehouse operators failing to submit weekly reports of bales made available for shipment. Electronic warehouse receipt providers assisted warehouse operators with the new reporting requirement used by USDA to monitor compliance with the minimum shipping requirement for warehouses.

NCC members were asked – via an Action Alert – to urge their Congressional Members’ opposition to any USDA attempt to stop the implementation of warehouse storage credits for the 2008 fiscal year cotton marketing loan program. The NCC developed a paper summarizing the impact of the Farm Service Agency’s changes regarding cotton transfer procedures.

The NCC also responded to the USDA-APHIS proposal to increase fees charged for export certification of plants and plant products. The NCC argued in its comments that the fees are passed back through the marketing chain to producers and APHIS should consider lowering cotton’s fees because the industry’s self inspection programs allow APHIS to preserve scarce agency resources.

A Cotton Belt tour for an Ecuadorian Phytosanitary Team was arranged that led that country to review and re-write its phytosanitary regulations for baled cotton. Included was the creation of a revised cotton export protocol eliminating Ecuador’s fumigation requirements.

The Joint Cotton Industry Bale Packaging Committee (JCIBPC) conducted its 40th annual meeting and voted to have packaging manufacturers supply end users of approved packaging products a certificate of analysis (voluntary in 2007, mandatory in 2008) – to ensure

manufacturers adhere to industry standards. JCIBPC Chairman Lee Tiller also sent a letter to NCC member ginners and others reminding them of the importance of using only bale packaging materials approved by the JCIBPC and USDA's CCC.

The JCIBPC also agreed on increased awareness of the need for producing uniform bales. The NCC and the National Cotton Ginners Association (NCGA) sent letters to state and regional gin and warehouse associations urging gins to accept the challenge of producing well-packaged bales of uniform size, shape and density. NCC staff also addressed misshaped bales at various cotton warehouse association meetings and at the NCGA Ginners School.

The NCC facilitated a meeting in Memphis of the Agriculture Transportation Coalition (AgTC) / United States Chamber of Commerce with shippers of baled cotton, whole cottonseed, cottonseed products and other agricultural commodities. The Chamber is undertaking a major study of transportation infrastructure needs throughout the country. The meeting emphasized the importance of a healthy transportation sector to agribusinesses. The meeting also resulted in the Chamber's request for additional cotton industry input regarding the U.S. agricultural transportation infrastructure and service needs.

On other technical issues, the NCC:

- Continued serving as a cooperator for the NCGA's 2007 Ginner Schools
- Joined with other organizations in filing legal challenges under the 6th Circuit Court of Appeals against EPA's final rule on National Pollution Discharge Elimination System permitting on the basis that it does not explicitly state that all agricultural production applications do not require a NPDES permit
- Submitted comments to the Department of Homeland Security asking them to reconsider and revise the chemical of interest list and thresholds to reflect real chemical security risks in their Chemical Facility Anti-Terrorism proposed regulations

Cotton Council International

Major activities carried out during 2007.

The NCC's export promotions arm continued to sharpen its focus on overseas market development activities on behalf of the U.S. cotton industry during 2007.

Through a combination of staff and contract representatives, CCI's presence overseas now includes on-ground personnel in 16 countries, with active programs in more than 50 countries. Overseas market development programs managed by CCI (including third party supporting efforts) have reached \$71.6 million.

This strong global presence is ever more crucial to U.S. cotton as more than 75 percent of the U.S. crop was expected to move to consumer markets outside the United States in 2007, compared with 45 percent exported in 1987.

Fiber Servicing

Three CCI-hosted groups toured major cotton growing, research and trading centers across the U.S. Cotton Belt in 2007. They included textile executives from 13 countries who participated in the weeklong COTTON USA Orientation Tour to familiarize these key customers with how U.S. cotton is produced, processed, classed and marketed. The COTTON USA Fiber Education Tour enlightened 12 Japanese retail and brand executives to the benefits of U.S. cotton fiber in finished apparel. Likewise, a delegation of nine Bangladeshi textile mill executives met with key U.S. industry officials. Visits to Cotton Incorporated research facilities were a highlight of each tour, along with tours of farms, USDA classing facilities and meetings with cotton exporters.

CCI also sponsored a COTTON USA Executive Delegation to overseas markets identified by CCI's Export Promotion Committee as key targets for the U.S. cotton industry. This group met with textile industry leaders from Vietnam, Pakistan and Turkey – and delivered presentations on U.S. cotton's quality and sustainability, U.S. and world production, supply and demand, U.S. farm legislation and World Trade Organization issues, futures and options, Supima, and the COTTON USA Supply Chain Marketing program. U.S. fiber export sales in the weeks surrounding the visits were positive.

U.S. cotton's customers in Indonesia and Thailand learned how implementing lean manufacturing can help them become more competitive in the global marketplace.

This educational seminar series and other such events are sponsored by CCI as a value-added service to U.S. cotton-consuming companies -- enabling them to build relationships throughout the supply chain and increase their competitiveness by utilizing new information and technology.



A COTTON USA Executive Delegation met with textile industry leaders from Vietnam, Pakistan and Turkey – and delivered presentations on U.S. cotton’s quality, trade and other important topics.

U.S.-Made Textile Promotions

Twelve U.S. textile mills participated in the COTTON USA Sourcing Program and enlisted CCI’s assistance in identifying business opportunities in the Western Hemisphere.

COTTON USA’s Sourcing Fair in Costa Rica linked these 12 mills and 46 Western Hemisphere manufacturers with 15 prominent brands and retailers. Participants conducted more than 600 one-on-one meetings to provide retailers with options for sourcing U.S.-manufactured cotton products from the Western Hemisphere, in addition to their current Asia-based manufacturers.

Nine U.S. mills conducted about 140 private meetings at the Apparel Sourcing Show in Guatemala City. Five sample orders were placed during the show, and the mills anticipate future orders of 250,000 pounds of U.S. cotton products. U.S. mills also benefited from a private function with the U.S. and Korean Ambassadors to Guatemala, sponsored by the Sourcing Program, to strengthen sales opportunities of U.S. yarn and fabric to Korean textile and garment makers in the region.

Forty-one buyers from nine countries throughout the Western Hemisphere toured the Southeastern United States during a Sourcing Program event. The yarn and fabric buyers met in North Carolina with U.S. textile mills for a group seminar, Cotton Incorporated presentations and individual plant tours.

The COTTON USA stand at trade shows provided publicity for U.S. cotton and a networking platform for U.S. textile mills participating in the Sourcing Program. Achievements included about 140 companies conducting business appointments within COTTON USA’s VIP center at Colombiamoda in Medellín and the largest textile mills from North and South America participating in the annual Colombiatex trade show in Medellín.

Supply Chain Marketing

CCI led three Buyers Tours to China, the largest importer of U.S. cotton.

The tours brought 50 retailers and brands, with a combined annual turnover of \$142 billion, to Shanghai to meet qualified suppliers of U.S. cotton-rich knit and woven fabrics and garments, and home textiles. Executives on the tours participated in briefing sessions, COTTON USA sourcing fairs, mill tours and trade fairs. Buyers expect to purchase \$10 million in U.S. cotton-rich products to fit their sourcing needs, according to post-event surveys.

Another COTTON USA Buyers Tour destination was Turkey, a major export destination for U.S. cotton. Fifteen leading European and American retailers and brands met one-on-one with Turkish suppliers of U.S. cotton-rich products during a private trade fair featuring 26 exhibitors, toured 18 showrooms and visited five mills and manufacturers. Buyers and suppliers reported meeting new suppliers and placing initial orders valued at approximately \$350,000.

Twenty-eight buyers from 12 Japanese retailers and trading companies spent four days in Ho Chi Minh City during CCI's first Buyers Tour to Vietnam. With support from Cotton Incorporated, CCI's COTTON USA-sponsored tour linked the Japanese retail market - the world's second largest - with Southeast Asian manufacturers using U.S. cotton.



CCI held its first Buyers Tour in Vietnam, bringing 28 Japanese retailers to Ho Chi Minh City.

Brands and retailers flocked to the Texworld and Première Vision trade shows to scope out textile trends and sourcing opportunities, and the U.S. cotton booth was a one-stop shop for those seeking cotton.

Amidst the largest combined exhibition of the world's leading textile mills, the U.S. cotton booth identified eligible suppliers with booths at the shows and disseminated valuable technical and trend information on sustainable U.S. cotton from CCI, Cotton Incorporated and Supima.

COTTON USA Mark Licensing and Promotion

Hundreds of consumers and trade representatives in Japan, Korea and Taiwan celebrated Cotton Day, an annual event sponsored by CCI and Cotton Incorporated to welcome the beginning of the U.S. planting season. Media coverage of Cotton Day in Japan reached 791 million consumers and generated \$8.4 million in equivalent advertising value.

A ten-page special feature in *Vogue Latin America* highlighted cotton's importance in denim and displayed a COTTON USA denim collection produced by Colombian designer Amelia Toro. Thailand's highest circulated fashion magazine, *Praew*, featured Cotton Design Challenge students' 100 percent cotton garments.

In China, CCI's first COTTON IN ART show in Beijing featured works of art composed from U.S. cotton fiber or fabrics. The collaborative project with China and Hong Kong artists and 14 COTTON USA licensees attracted 6,000 visitors and generated an earned advertising value of nearly \$1.5 million.



CCI President Michael Adams spoke at a Cotton Day event, which celebrates the beginning of the U.S. planting season.

CCI's COTTON USA promotion with British retail chain Marks and Spencer led to a 23 percent year-on-year increase in sales of U.S. pima cotton-rich towels. A COTTON USA retail promotion in Japan led to \$5.3 million in sales of U.S. cotton-rich products. COTTON USA partnered with Lee Jeans in Thailand to promote U.S. cotton-rich denim, and 850,000 units, valued at \$20 million, were labeled with the COTTON USA Mark. Fashion road shows and the new collection launch generated earned advertising value of \$63,000

for COTTON USA.

In addition to U.S. cotton fiber promotion, CCI also successfully executed several generic fiber promotions to educate consumers on the benefits of cotton vs. synthetic fiber. These included: 1) CCI's generic cotton promotion campaign in India, marked with Cotton Incorporated's Seal of Cotton, which doubled consumer recognition of this trustmark; 2) China's next generation of designers showcased cotton clothing designs at the "COTTON-BEYOND YOUR IMAGINATION" competition. This public relations program – a collaboration between CCI, Cotton Incorporated and the Beijing Institute of Clothing Technology – educated Chinese consumers on the benefits of cotton through a student design competition.

In conjunction with the campaign, CCI and Cotton Incorporated jointly hosted five Chinese journalists on a visit to the United States to help them better understand U.S. cotton and U.S. fashion marketing. The group saw Texas cotton fields, a USDA classing/grading facility and Cotton Incorporated's world headquarters and consumer marketing/fashion design operations. China and India represent perhaps the world's greatest opportunities for enhancing underlying demand for cotton products.

The Cotton Foundation

Major activities carried out during 2007.

Cotton Foundation membership remained solid with 68 members as of July 1, 2007, the beginning of the 2007-08 Foundation fiscal year. The member firms' dues provide full support for 25 general research and education projects approved by the Foundation's Research Screening Committee. Investments and Washington building rental income also provided a small portion of the funding for these projects. In addition, five other general projects are being funded from 2006-07 contingency funds and miscellaneous contributions (\$54,800).



During their 2007 Producer Information Exchange tour on the Texas High Plains, these Arizona and California cotton producers were guided by NCC Member Services representative Rick King, second from left.

These projects are addressing needs that range from managing pests such as reniform nematodes, pink bollworm and tarnished plant bugs to finding ways to improve/preserve fiber quality. The U.S. cotton industry is enjoying a healthy return on investment from these efforts. 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.

Special projects continued to fill important niches, especially in the education/information dissemination arena. Included in these projects is the multiple-sponsor support of the Internet-accessible weed resistance learning module and the Multi-Commodity Education Program.

In addition, individual Foundation member firms continue to sponsor vital NCC communications vehicles, including the *Cotton's Week* newsletter, AgDay Cotton's Week and the Cotton eNews electronic newsletter.

Video Staff Report

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