

2012 National Cotton Council Report to Members

This Report to Members highlights major NCC action in 2011.



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Joint Message from the Chairman and the President

Multiple issues threatened to undermine U.S. cotton's profitability in 2011 but National Cotton Council leadership responded.

The best example of that response was the crafting and industry adoption of a farm policy that was aimed at maintaining an adequate safety net for producers. That task was daunting because it had to not only meet producers' risk management needs but fit within Washington's new budget realities and be defensible within the World Trade Organization. The Stacked Income Protection Program (STAX) gained the respect of Congress and was included in an Agriculture Committee package that was prepared for delivery to the Joint Select Committee on Deficit Reduction. Even though that panel failed to approve a deficit reduction plan by their November deadline, we

believe the STAX proposal will be given favorable consideration during the 2012 farm bill reauthorization.

Aggressive communication with Congress and the Administration was necessary throughout 2011, especially to ensure no disproportionate reductions for agriculture emerged in the federal budget process. The NCC dealt with numerous other challenges – from seeking a repeal of the IRS Form 1099 reporting requirements to gaining clarification for crop insurance indemnity eligibility for flooded cropland as a result of the Mississippi River levee breaches.

Monitoring World Trade Organization Doha Round activity remained a priority. We emphasized to U.S. trade officials that cotton only can be addressed as part of a comprehensive agreement encompassing all of agriculture. We also stressed to Chinese trade officials the need for greater transparency and market access.

Environmental issues continued to be formidable. The NCC's efforts ranged from urging passage of the "Reducing Regulatory Burdens Act of 2011" to pushing for an extension of the compliance deadline regarding EPA's Spill Prevention, Control and Countermeasure program.

Strides were made at improving industry efficiency. A noteworthy example was the re-appointment of the NCC's Performance and Standards Task Force. That panel focused on "The Vision of the U.S. Cotton Industry in the 21st Century's" cotton flow study recommendations aimed at rewarding exceptional performance and penalizing poor performance.

Cotton Council International (CCI) once again was the largest recipient of combined Foreign Market Development and Market Access Program allocations. Utilizing that support and drawing on its 55 years of experience, CCI continued to take advantage of cotton's global appeal to promote and strengthen demand for the fiber.

The Cotton Foundation continued to assist with timely research and education efforts in areas ranging from herbicide resistance to fiber quality. The Foundation was able to support 24 general projects with \$388,725 for 2011-12.

The NCC expanded the use of its website, www.cotton.org, as an information dissemination portal. In addition to posting timely statements on important industry issues, a wide range of educational materials was made available. Among those were the NCC's latest weed resistance videos and guides to preparing/amending oil spill prevention plans.

The NCC also bolstered its staff this past year by filling the vacant general counsel position and naming a new CCI executive director to replace the retiring Allen Terhaar. Overall, this past year proved again that a dedicated and experienced NCC staff working with bold and insightful leadership can ensure our great industry is effectively represented in each difficult situation and on all promising opportunities.



Charles Parker
Chairman (2011)



Mark Lange
President/Chief
Executive Officer

Farm Policy/Legislative Affair

Major activities carried out during 2011.

Farm Legislation

Early in 2011, NCC Chairman Charles Parker met with Congressional Members and officials with USDA and the U.S. Trade Representative's Office. He stressed that NCC members supported the 2008 farm law but were conducting economic analysis and looking carefully at any new proposals for revenue or insurance products. Parker, joined by NCC President/CEO Mark Lange and NCC Senior Vice President John Maguire, also met with several freshman members of the House Agriculture Committee, including Stephen Fincher (R-TN), a cotton producer. Those Members advised the NCC to be critically assessing alternatives in the delivery of a farm safety net.



NCC Chairman Charles Parker met with key Congressional Members and USDA/USTR officials regarding what cotton would need in new farm law.

At its Mid-Year meeting, the NCC's Board approved an upland cotton policy position for the 2012 farm bill in response to the challenges of deficit reduction and cotton program changes that would resolve the longstanding World Trade Organization (WTO) Brazil case. In recommending this adjustment to the current cotton program, the U.S. cotton industry said it would 1) strengthen growers' ability to manage risk by making an affordable revenue-based crop insurance program available for purchase and 2) be complemented by a modified marketing loan that is adjusted to satisfy the Brazil case. The industry believed

this safety net structure would best utilize reduced budget resources and respond to public criticism by directing benefits to growers who suffer losses resulting from factors beyond their control.

NCC Vice Chairman Chuck Coley joined American Cotton Producers Chairman Jimmy Dodson in meetings with members of the House and Senate agriculture committees in Washington, DC, to explain the rationale behind and details of the NCC's proposed "Stacked Income Protection Program." The producer leaders were joined in the meetings by Lange, Maguire and Gary Adams, the NCC's vice president, Economics & Policy Analysis. The NCC proposal also was presented to officials of USDA and the U.S. Trade Representative office in preparation for scheduled quarterly meetings with Brazilian officials conducted as part of the Framework Agreement.

Late in the year, the NCC commended the House and Senate agriculture committees for their diligent efforts in crafting a farm policy recommendation that included the STAX proposal and delivering it to the Joint Select Committee on Deficit Reduction. Unfortunately, the joint committee was not able to reach an agreement on a debt reduction package.

In other farm program activity:

The NCC submitted comments to the USDA Risk Management Agency's (RMA) proposed rule for a Good Producer Refund (GPR) and worked with RMA on the final rule preparation. In its comments, the NCC noted, for example, that the proposed rule would seem to be of most benefit

to homogenous operations in very low risk areas of the country. The provision to only allow one loss in a ten-year period to be eligible for the refund would make it almost impossible for producers of large and especially diversified operations to be eligible for the refund.

ACP Chairman Jimmy Dodson told a Farm Foundation forum that risk management tools, particularly crop insurance, "are extremely important to cotton producers." He was a panelist on a discussion of "The Future Role of the Federal Government in Agricultural Risk Management" at the National Press Club in Washington, D.C.

The NCC encouraged interested producers to visit NCC's Conservation in Cotton Production website,



The NCC's Conservation in Cotton Production portal, available at www.cotton.org, includes in-depth information such as financial and technical assistance needed for maintaining/adopting such practices as this windstrip.

www.cotton.org/econ/govprograms/conservation-programs.cfm, which includes a short informational video on the Conservation Stewardship Program and a one page program fact sheet.

Legislative Affairs

The NCC joined other agriculture groups on a letter to the House Appropriations Committee's chairman and ranking member expressing concern that the proposed cuts to agriculture were disproportionate in H.R. 1, the FY11 Continuing Resolution. They said H.R. 1 would cut \$5.21 billion, or 22.4 percent, from agriculture-related programs and operating budgets during the remaining seven months of FY11 -- more than double the 10.3 percent cut proposed in overall non-defense discretionary spending.

The NCC later issued a press statement saying it was deeply concerned by the extent of the cuts to commodity, conservation and nutrition programs proposed by House Budget Committee Chairman Paul Ryan (R-WI). The statement said the cuts represent 20 percent of the funding baseline for agricultural programs over the next 10 years, and come on top of \$6 billion in cuts resulting from the renegotiation of the Standard Reinsurance Agreement in 2010. NCC Chairman

Parker noted in the statement that agriculture consistently has acknowledged that deficit reduction is a shared responsibility with the expectation that other programs will make equivalent reductions.

The NCC also joined with 21 other agricultural and commodity organizations on a letter to House Speaker John Boehner (R-OH) and Senate Majority Leader Harry Reid (D-NC) expressing strong opposition to the inclusion of cuts to current farm bill and crop insurance mandatory funding in any compromise package on FY11 appropriations.

The NCC also issued a statement saying it strongly opposed amendments to the FY12 Agriculture Appropriations bill that (1) rewrite provisions of the 2008 farm bill and (2) violate a government-to-government agreement established between the United States and Brazil. The statement came after the House Appropriations Committee accepted on a voice vote an amendment by Representative Jeff Flake (R-AZ) that would prohibit any farm program payments being made to eligible individuals or entities with adjusted gross incomes exceeding \$250,000. If enacted, this new test would have become effective on October 1, 2011, and replaced the adjusted gross income tests in the 2008 farm law. The Committee did accept an amendment by Rep. Flake to reduce direct payments on cotton base by \$147 million to repay the Commodity Credit Corporation for payments made to the Brazilian Cotton Institute as part of a Framework Agreement between the United States and Brazil.

Later, the House rejected a series of amendments to the FY12 Agriculture Appropriations bill that would have severely compromised the cotton program by amending the '08 farm law two years before it is scheduled to expire. This included the payment eligibility amendment by Representative Flake and his amendment that would have terminated counter-cyclical payments for upland cotton, prohibited repayment of cotton marketing assistance loans at the adjusted world price or issuance of loan deficiency payments for upland cotton and would have prohibited cotton storage payments.



The screenshot shows the National Cotton Council of America website. The header includes the NCC logo, navigation links (Contact, FAQ, Login), and a search bar. The main navigation menu includes Home, About Us, Economics, Education, Issues, News & Events, and Technical. Below the menu, there are links for Audio & Video, OCC News, Cotton's Calendar, Cotton's Week, Meetings, and News Releases. The main content area displays a news release titled "NCC Applauds Defeat of Amendment to Terminate Key Cotton Provisions; Disappointed With Adoption of Amendment to Violate U.S.-Brazilian Agreement". The release is dated June 16, 2011, and includes contact information for T. Cotton Nelson or Marjory Walker. A "Print Version" link is also present. To the right of the news release is a "News Release Archives" section with links for the years 2012, 2011, 2010, and 2009.

A NCC statement said a blatant circumvention of the farm program development process was avoided with defeat of a FY12 ag appropriations bill amendment that targeted cotton specifically.

The NCC issued a statement saying that a blatant and inappropriate circumvention of the farm program

development process was avoided with the defeat of the amendment that "would have targeted cotton specifically and undermined a critical safety net for cotton farmers who face uncertain economic and weather climates and seriously jeopardized an industry that makes significant contributions to our nation's economic well-being."

The NCC also joined with 132 other farm organizations on a letter to President Obama, House Speaker Boehner (R-OH) and Senate Majority Leader Reid (D-NV) expressing strong opposition to any deficit reduction package that would disproportionately affect U.S. farmers/ranchers and rural America -- noting particular concern with the depth/timing of cuts to agricultural policies reportedly being considered for inclusion in legislation to increase the debt limit. When negotiations bogged down, the NCC joined 33 other organizations on a letter to President Obama and House and Senate leaders seeking prompt action on the debt ceiling/deficit reduction negotiations that did not require disproportionate cuts in agriculture and related programs.

Late into the year, the NCC monitored the Senate's plan to begin combining unfinished annual spending bills into packages in order to complete work on FY12 appropriations measures ahead of the November 18 expiration of the Continuing Resolution (CR) funding the federal government. There was concern over the introduction of damaging amendments similar to those introduced when the House Appropriations Committee was considering the FY12 Agriculture Appropriations bill.

After LightSquared Inc. announced plans to build "the nation's first wholesale-only, mobile broadband network," the NCC became very active in the Save Our GPS coalition with global positioning system (GPS) manufacturers, farm equipment companies and agricultural organizations. The coalition monitored legislation that could infringe upon the bandwidth used by agricultural GPS, affect the accuracy upon which precision agriculture applications depend and seriously compromise its overall effectiveness. The NCC submitted a coalition letter to the Federal Communications Commission emphasizing the need to fully test new filters proposed to reduce interference, determine the cost of retrofitting existing GPS devices with the new filters and determine who would be responsible for paying for retrofits. The NCC also co-sponsored a briefing for Congressional staff to educate them regarding the risks of moving forward with LightSquared's proposal without properly vetting their technology and suggested remedial measures.

In other activities, the NCC:

- corresponded frequently with Congress urging lawmakers to act to approve legislation to repeal 1099 information reporting requirements. The NCC emphasized that businesses need to know that they would not be required to maintain burdensome and expensive records -- including having to report information to the IRS on payments for goods of \$600 or



The NCC worked to gain clarification for crop insurance indemnity eligibility for flooded cropland as a result of the Mississippi River levee breaches.

- more annually to other businesses. Later, President Obama signed into law H.R. 4, the "Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011."
- joined onto a letter with 11 other agricultural and commodity organizations to Senators urging them to co-sponsor S.700, which would amend the tax code to permanently establish a five-year depreciation schedule for agricultural equipment placed in service after December 31, 2009. The bill was introduced by Senators Debbie Stabenow (D-MI), Pat Roberts (R-KS), Jerry Moran (R-KS) and Amy Klobuchar (D-MN).
- posted on its website a Risk Management Agency bulletin addressing questions regarding crop insurance coverage for flooding that resulted from the Corps of Engineers' actions to relieve pressure on the Mississippi River Levee system in Missouri. The NCC also worked with RMA regarding a similar Corps' action for the Morganza Spillway in Louisiana. The NCC urged its producer members to contact local Farm Service Agency offices to determine what assistance may be available from disaster declarations (from flooding or drought).
- coalesced with eight other agricultural organizations in support of the Agricultural Trade Facilitation Act, introduced by Representative Devin Nunes (R-CA), that would establish Sanitary and Phyto-Sanitary (SPS) negotiating objectives for the on-going Trans-Pacific Partnership (TPP) negotiations.
- reiterated its support for the expanded availability and proposed improvements of area-wide revenue and yield insurance products in its comments to the Federal Crop Insurance Corporation regarding Area Risk Protection Insurance.
- continued discussions with USDA regarding estimates for U.S. mill use in the absence of the U.S. Commerce Department reports.
- welcomed the successful mark-up of the Export-Import Bank Reauthorization Act of 2011 by the Senate Committee on Banking, Housing, and Urban Affairs Committee – as an opportunity for U.S. textile manufacturers' customers to expand exports of value-added products containing U.S. cotton.

Trade

Major activities carried out during 2011.

World Trade Organization

Early in 2011, NCC Chairman Charles Parker, joined by NCC President/CEO Mark Lange and NCC Senior Vice President John Maguire, discussed World Trade Organization (WTO) activities with Agricultural Trade Ambassador Isi Siddiqui of the office of the U.S. Trade Representative. Siddiqui told them that some in Geneva were still pushing for a so-called "early harvest" on cotton.



Agricultural Trade Ambassador Isi Siddiqui, right, of the U.S. Trade Representative's office provided a WTO activities update for NCC President/CEO Mark Lange and other NCC leaders.

The NCC group also discussed trade issues with Darci Vetter, deputy undersecretary for Farm and Foreign Agricultural Services. Vetter, who has represented USDA in the development and implementation of the Brazil-U.S. Framework Agreement, reported that U.S. officials travelled to Brazil in early March for a meeting that focused on the formation of the Brazil Cotton Institute and use of the annual U.S. funds provided under the

Framework agreement.

Following reports that an early harvest for cotton could be a potential WTO Doha Round December 2011 ministerial deliverable, Lange and Maguire met with Administration officials and Congressional staff. They conveyed the industry's opposition to any proposals that include cotton in a scaled-back December package. In meetings with Vetter, USTR Assistant Trade Representative Sharon Bomer and U.S. Trade Ambassador to the WTO Michael Punke, the NCC staffers stressed that cotton only can be addressed as part of a comprehensive agreement encompassing all of agriculture. Following the meetings, Ambassador Punke declared that, "If people wish to discuss cotton, everyone's cotton programs must be on the table."

Late in the year, Lange and Maguire visited with key trade officials in Geneva ahead of the next WTO ministerial in mid-December. They met again with Punke then were briefed by a number of WTO agricultural staff. They also had individual meetings with a number of WTO officials, including Deputy Director General Harsha Singh, Accessions Division Director Chediu Osakwe and Keith Rockwell, director of Information and External Communications. In addition, their

visits included sessions with Nicholas Imboden, executive director of the Ideas Center; and Ralf Peters, United Nations Conference on Trade and Development. Lange and Maguire also met with John Adank, New Zealand's ambassador expected to be elected as the new chairman of the WTO Doha Round agriculture negotiations.

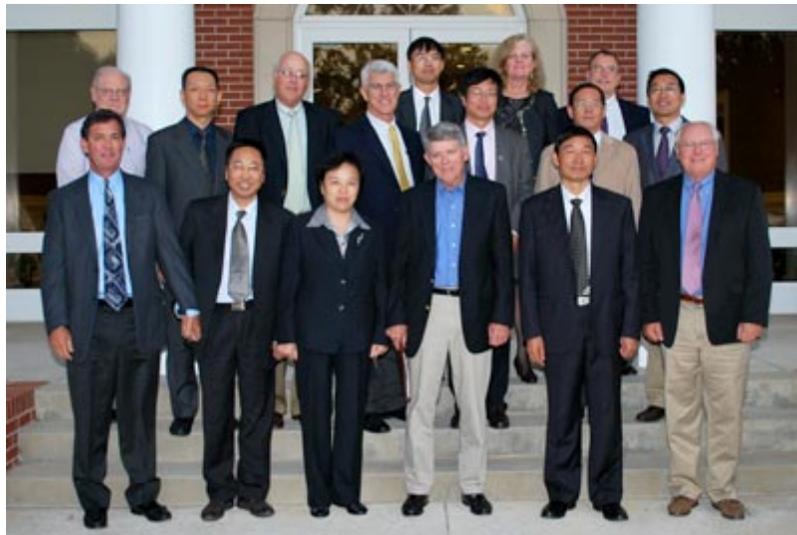
In another session, Lange and Maguire met with Yi Xiaozhun, China's ambassador to the WTO, and Zhao Weining, the counselor for China – and stressed the need for greater transparency and market access. In a meeting with Amit Yadav, India's counselor to the WTO, Lange and Maguire discussed the damage to the world cotton market caused by disruptive export bans.

Free Trade Agreements

The NCC issued a statement welcoming the news that the enabling legislation necessary for Congress to approve the U.S.-Colombia Free Trade Agreement (FTA) was formally transmitted to Congress – saying the U.S. cotton industry urges immediate approval of the legislation by the House and Senate. The statement noted that NCC members consistently have expressed support for Congressional approval of the FTA with Colombia, which was signed in 2006. The House and Senate eventually approved the legislation necessary to implement free trade agreements (FTAs) with Colombia, Panama and Korea, and President Obama subsequently signed the legislation.

China

Eight Chinese cotton industry leaders visited the U.S. Cotton Belt to learn more about the U.S. cotton industry. The China Cotton Association (CCA) executive delegation's visit the U.S. was the third since the establishment of the U.S.-China Cotton Leadership Exchange Program by the NCC and the CCA. The exchange between the two countries was established by a Memorandum of Understanding signed in 2006 that promised cooperation between the countries' cotton industries.



Under the U.S.-China Cotton Leadership Exchange Program established by the NCC and the China Cotton Association, eight Chinese cotton industry leaders visited the U.S. Cotton Belt to learn more about the U.S. cotton industry.

In other trade activities, the NCC:

- joined commodity and livestock organizations in urging the Senate to confirm Michael Punke and Isi Siddiqui to serve as deputy U.S. Trade Representative and USTR ambassador/chief agricultural negotiator, respectively.
- complimented an Administration initiative to streamline and make government more efficient, but cautioned against making changes that would undermine the effectiveness of agencies including the Foreign Agricultural Service and the office of U.S. Trade Representative.
- welcomed the successful mark-up of the Export-Import Bank Reauthorization Act of 2011 by the Senate Committee on Banking, Housing, and Urban Affairs Committee – stating that, "The U.S. cotton industry is pleased to see an opportunity for its textile customers to expand exports of value-added products containing U.S. cotton, with the resulting benefits to our nation's farm income and job creation."
- applauded the appointments by Agriculture Secretary Tom Vilsack and U.S. Trade Representative Ron Kirk to the Tobacco, Cotton and Peanuts Agricultural Technical Advisory Committee: Sledge Taylor, a Como, MS, producer/ginner who serves as NCC secretary/treasurer; John Mitchell, a Cordova, TN, merchant who serves as Cotton Council International president; Kenneth Dierschke, a San Angelo, TX, producer and Texas Farm Bureau Federation president; Dale Artho, a Wildorado, TX, producer; Mike Quinn, a Garner, NC, cooperative official; Harvey Shroeder, executive director of the Oklahoma Cotton Council, Frederick; and Michelle Huffman, a NCC economist, Memphis, TN.

Communications

Major activities carried out during 2011.

Public Attitudes

The NCC distributed multiple statements through the media to convey its stance on a range of issues – from farm program development to regulatory affairs.

The NCC continued as in-kind supporter of *America's Heartland*, the award-winning national television series celebrating American agriculture. The series, in its seventh season and aired on public television and the RFD-TV cable and satellite channel, educates consumers about the origins of their food, fuel and fiber.

In addition, the NCC continued its participation in the U.S. Farmers & Ranchers Alliance (USFRA). It and the AgChat Foundation (ACF) are committed to facilitating meaningful conversations with Americans about how food and fiber is raised to ensure the long-term success of American agriculture. ACF was formed in 2010 to empower farmers and ranchers to effectively share their stories using social media. ACF is the first outside organization to partner

with USFRA, a coalition that represents more than 50 of the top farmer-and rancher-led organizations and agriculture groups from across the country.

Information Services

The NCC continued to utilize its website, www.cotton.org, to disseminate information for helping its members thrive.

Among 2011 postings were the NCC's latest weed resistance videos -- made easily accessible online via the weed resistance management icon on the NCC's home page. The new video additions include: Biology and Management of Pigweed by Dr. Bob Nichols, Cotton Incorporated; Field Day with Dr. Stanley Culpepper, University of Georgia; Horseweed: Control This Weed Early by Dr. Ken Smith, University of Arkansas; and A Field Day with Dr. Larry Steckel, University of Tennessee.



As part of its educational outreach, the NCC posted on its website, www.cotton.org, multiple new videos to help producers deal with resistance to weeds such as this *Palmer amaranth* (pigweed).

Other videos to be added soon are Weed Resistance Management by Dr. Jason Norsworthy, and Weed Management in Corn by Dr. Ken Smith, both at the University of Arkansas.

These videos will be stored on DVDs later to distribute to producers and educators as a continuing effort by the NCC to provide its membership with the best information available.

The NCC's Technical and Communications staff continue to work with land grant university weed scientists and the Weed Science Society of America to develop educational material that is beneficial to those producers faced with this critical issue. The NCC plans to release additional segments in 2012.

Technical

Major activities carried out during 2011.

Regulatory

The NCC closely monitored activities surrounding the National Pollutant Discharge Elimination System (NPDES) permit program that controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

The NCC issued an *Action Alert* to its directors, national interest organizations, producer and grower interest organizations and environmental task force – encouraging them to contact Cotton Belt Representatives and urge them to co-sponsor or support H.R. 872, the "Reducing Regulatory Burdens Act of 2011. That legislation reversed a 2009 decision of the Sixth Circuit Court of Appeals in *National Cotton Council v. EPA*. That court decision vacated a 2006 EPA rule and long-standing interpretation that the application of a pesticide for its intended purpose and in compliance with the requirements of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) -- does not also require a separate permit under the Clean Water Act (CWA). Following its House passage, NCC President/CEO Mark Lange conveyed sincere appreciation for industry leadership's concerted efforts to secure co-sponsors and support. He emphasized in that *Action Alert* that NCC leadership would need to mount a similar effort to ensure Senate passage of the legislation. The NCC and other commodity organizations also expressed concern over draft guidance released by the EPA and the Army Corps of Engineers that sought to expand the scope of the CWA in a way that could lead to additional permitting requirements and make farmers more vulnerable to citizen action lawsuits.

Cannon Michael, president of the California Cotton Growers Association and representing the NCC, spoke about the pesticide permitting issue at a meeting in which Agriculture Secretary Tom Vilsack and EPA Administrator Lisa Jackson had major commodity groups gather to discuss environmental regulatory issues. Michael stressed to Jackson that the new permits would be a prime example of duplicative regulation that provides no additional environmental protection.

Following the Senate Agriculture, Nutrition & Forestry Committee's passage of H.R. 872, the NCC issued a statement urging swift Senate passage – but the bill stalled due to Senator Barbara Boxer's (D-CA) push for a broad study of pesticide impacts on waters. EPA and states with delegated authority began enforcement of the permits on January 2, 2012.



NCC Director Cannon Michael, a California producer who also serves as Cotton Foundation president, addressed the NPDES water pollution permitting issue before Agriculture Secretary Tom Vilsack and EPA Administrator Lisa Jackson.

On another key environmental issue, the NCC joined other agriculture groups in filing a motion to intervene in federal court in a lawsuit that raised the possibility of needless product restrictions or bans through a wide swath of U.S. agriculture. *Center for Biological Diversity v. Environmental Protection Agency*, a suit in the U.S. District Court for the Northern District of California, alleged that EPA violated the Endangered Species Act (ESA) by

allowing the use of one or more of 381 chemicals without conducting consultations with the U.S. Fish & Wildlife Service and National Marine Fisheries Service (Services) regarding potential impacts on 214 listed species. Under the ESA, the EPA is required to consult with one of the Services, depending on the species in question, when it determines that a pesticide may affect a listed species or its critical habitat.

Following USDA's Animal and Plant Health Inspection Service (APHIS) decision to deregulate Roundup Ready alfalfa (RRA), the NCC and other agricultural groups objected to the unprecedented option of partial deregulation on the grounds that it would open the established risk-based assessments to marketing and other considerations and would set the stage for future mandated conditions on biotech crops including cotton.

The NCC posted on its website both a Dear Colleague letter and a Members letter to EPA Administrator Lisa Jackson regarding dust that was circulated to other House Members by Rep. Stephen Fincher (R-TN). The letters conveyed Congressional opposition to EPA's proposal to regulate coarse particulate matter at lower levels stating, "Given the difficulty and expensive process of mitigating dust in most settings, the revised standards could have a devastating impact on rural communities and greatly reduce our nation's food security." Under the Clean Air Act (CAA), EPA is required to review its National Ambient Air Quality Standards every five years. Particulate matter is one of six criteria pollutants under the CAA subject to this periodic review.

Late in the year, the NCC, along with other agricultural interests, signed a letter sent to House and Senate leadership and to relevant committee leaders, in support of the Farm Dust Regulation Prevention Act of 2011 (H.R. 1633, S. 1528). These bills would prohibit the EPA Administrator from proposing, finalizing, implementing or enforcing any regulation that would revise the national primary ambient air quality standard or the national secondary ambient air quality standard applicable to particulate matter (PM) with a diameter greater than 2.5 micrometers under the CAA for one year.

Details concerning the EPA's Oil Spill Prevention, Control, and Countermeasure (SPCC) Rule were summarized by the NCC's Technical Services staff and made available on the NCC's website. A link also was included to SPCC for Agriculture – a page dedicated to helping farms and gins prevent oil spills as well as control a spill should one occur. The EPA later extended the date by which owners or operators of a farm must prepare or amend and implement an SPCC plan from November 10, 2011 to May 10, 2013.

The NCC worked with several agricultural organizations on getting a one-month extension – and later seeking an additional 60-day extension – on the comment period after the U.S. Department of Labor (DOL) issued a Notice of Proposed Rulemaking on Child Labor Regulations. The organizations sought additional time for a thorough analysis of the rule's potential impacts after identifying areas of concern ranging from the implications of multiple family members working for a family farm organized as a LLC to additional restrictions placed on young people working with and around agricultural equipment and the future of agricultural education opportunities for youths and teens.

Pest Management

Following Bayer CropScience's announcement of Temik® discontinuation and short supply, the NCC provided an explanation of alternatives to Temik® application for the 2011 growing season. That information along with other strategies for controlling nematodes and early season pests were made available on the NCC's website.

NCC submitted comments supporting a registration request from Ag Logic LLC for a generic aldicarb product, MEYMIK 15G that included use on cotton. The NCC comments stressed the importance of this product for producers and referred to research presented at the 2011 Beltwide Cotton Conferences that evaluated the effects on cotton yields in the product's absence. NCC staff also participated in conference calls with EPA and the registrant of Cotoran® herbicide, Makhteshim Agan of North America, urging EPA to refrain from making label changes to that product without data substantiating the need for the change.

The NCC also worked closely with Malathion's registrant to secure EPA approval of a supplemental label for addressing the Boll Weevil Eradication Program's needs through 2011. The NCC's Boll Weevil Action Committee (BWAC) passed a motion that created an International Technical Advisory Committee comprised of U.S. and Mexican representatives to provide zone operation recommendations to the BWAC, which forwards approved recommendations to USDA's APHIS and urges coordinated eradication efforts on both sides of the border.



The NCC worked to secure EPA approval of a supplemental label for addressing the Boll Weevil Eradication Program's needs through 2011.

The NCC's Technical and Communications staff developed on-line streaming videos that describe how federal appropriation support combined with producer support is achieving eradication of boll weevil and pink bollworm.

Dr. Don Parker, the NCC's manager of Integrated Pest Management, began serving on EPA's new "pollinator work group" (PWG) that will focus on issues of pollinator protection, for both honey bees and native pollinating bees. The 44-member PWG represents a broad interest group, including state and federal government representatives, bee keepers, conservation groups, applicators, grower groups, cooperative extension, nongovernmental groups and agricultural industry.

Cotton Flow/Packaging

The 2011 crop year bale packaging specifications adopted by the NCC Joint Cotton Industry Bale Packaging Committee were approved by USDA for Commodity Credit Corporation (CCC) loan program purposes.

New for 2011 was a marking requirement for polyethylene terephthalate (PET) plastic strapping strap and an adjustment in the tare weights table for six-wire ties when combined with polyethylene (PE) film bagging. Beginning with the 2011 crop, the strap manufacturer's name or trademark had to be printed or embossed on every 36 inches of strapping. The new marking requirement for PET strapping matched the existing requirement for approved steel strap. Use of only properly marked PET strap was required for 2011 and continued use of non-marked PET strap is disallowed once existing stocks are depleted.

The other change, the adjustment in the tare weights table, also was implemented with the beginning of the 2011 ginning season. The CCC used the 2010 tare weights table for calculating cotton loans until May 31, 2011, the deadline for 2010–11 crop year loans. After that date, USDA was to update its cotton loan software to accommodate the one pound tare weight adjustment. Prior to the 2011 harvesting and ginning season, the NCC encouraged ginners and warehousemen to make sure the software they use to assign bale tare weights was up to date.



USDA approved specifications adopted by the Joint Industry Bale Packaging Committee, including official tare weights for various combinations of approved wrapping materials.

The NCC's Performance and Standards Task Force discussed concepts to operationalize the intent of NCC resolutions dealing with appropriate rewards for exceptional warehouse service and penalties for nonperformance. They formed 12 proposals, which they discussed prior to consideration by the NCC Board.

The NCC stated in comments to the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) that that onerous regulations governing the transport of

agricultural products were not needed and that agriculture has worked with individual states to develop common sense enforcement practices. In a news release, the agency said it had no intention to propose new regulations governing the transport of agricultural products.

Research/Education

The NCC's Technical and Communications staff continued to work with land grant university weed scientists and the Weed Science Society of America to develop educational material beneficial to those producers faced with weed resistance. The NCC's latest weed resistance videos easily can be accessed by clicking on the weed resistance management icon on the NCC's home page, www.cotton.org.

The new video additions include: "Biology and Management of Pigweed" by Dr. Bob Nichols, Cotton Incorporated; "Field Day" with Dr. Stanley Culpepper, U. of Georgia; "Horseweed: Control This Weed Early" by Dr. Ken Smith, U. of Arkansas; "A Field Day" with Dr. Larry Steckel, University of Tennessee; and "Weed Resistance Management" by Dr. Jason Norsworthy, and "Weed Management in Corn" by Dr. Ken Smith, both at the University of Arkansas. The videos were stored on DVDs and distributed to producers and educators as a continuing effort by the NCC to provide its membership with the best information available.

The NCC supported the National Academies' National Research Council with its hosting of a meeting titled "National Summit on Strategies to Manage Herbicide Resistant Weeds." Dr. Don Parker, the NCC's manager of Integrated Pest Management, made a presentation to the summit's steering committee urging its members to remain focused on the science of the issue and the need for the education of that science without regulatory mandates.

The NCC signaled its support for legislation that would amend the Internal Revenue Code of 1986 to provide for the deductibility of charitable contributions to agricultural research organizations. A letter to Rep. Devin Nunes (R-CA) from NCC Senior Vice President John Maguire noted that the legislative language in The Charitable Agricultural Research Act is consistent with NCC's long standing position – and supported by a NCC resolution – of ensuring adequate cotton research funding levels. It said the NCC believes that U.S. agricultural research, extension and education are significantly under-funded at both the federal and state levels.

On other technical issues:

- Don Cameron, a NCC and American Cotton Producers director, hosted EPA Administrator Jackson during her visit to California. During her stop at the Terranova Ranch in Helm, Cameron shared with Jackson equipment changes he had made to improve air quality and discussed various water conservation measures he employs, including a groundwater recharge project involving the use of floodwater when available and his use of drip irrigation on the majority of his crops.
- The Council and Cotton Council International prepared a statement for use by Turkish importers and made a presentation before Turkish officials in response to that country's biosafety law regulating imports of genetically modified organisms..
- USDA's Agricultural Air Quality Task Force, which advises the Secretary of Agriculture on agricultural air quality issues, re-appointed: Dr. Bryan Shaw, TX; Kevin Rogers, AZ; Robert Avant, TX; and Dr. Bill Norman, NCC vice president, Technical Services, TN. New appointments include: Annette Sharp, LA; and Dr. Brock Faulkner, TX.
- The NCC cooperated with the National Cotton Ginners Association on the three 2011 Ginner Schools: Southwest Ginners School in Lubbock, TX; Western Ginners School in Las Cruces, NM; and the Stoneville Ginners School, Stoneville, MS.
- The NCC joined members of the Ag Biotech Planning Committee (ABPC) in a letter to Agriculture Secretary Vilsack expressing concern about the directions concerning co-existence and compensation given to the recently reconstituted Advisory Committee on Biotechnology and 21st Century Agriculture (AC21). They commented on the specific charge given to the committee—to recommend an appropriate compensation mechanism,



NCC Director Don Cameron, second from right, hosted EPA Administrator Lisa Jackson who visited his farm as part of her California tour to observe ways producers are helping to improve air quality and other environment facets.

if any, to address economic loss to growers from unintended presence of biotech materials—and offered suggestions on how the work of AC21, and the broader debate over the coexistence of commercialized biotech and non-biotech agricultural products, can remain constructive.

Cotton Council International

Major activities carried out during 2011.

Cotton Council International, the NCC's export promotion arm, capitalized on its 55 years of experience in worldwide promotion of U.S. cotton fiber and products to the trade and consumers. CCI's worldwide registered trademark, the COTTON USA Mark, sent a strong message to consumers, providing reassurance of natural comfort and high quality.

CCI's innovative demand-building events engaged global customers at each point in the cotton supply chain. CCI worked closely with Cotton Incorporated, along with U.S. farmers, global cotton merchants, spinners, cotton weavers, garment manufacturers, home textile manufacturers, brands and retailers.

CCI's Fiber Servicing activities promoted premium U.S. cotton fiber to global textile executives.

Twelve U.S. mills joined the COTTON USA Sourcing Program this year to capitalize on CCI's expertise in promoting U.S. cotton yarns and fabrics.

CCI's innovative Supply Chain Marketing Program matched buyers with leading suppliers of U.S. cotton products through its exciting activities.

CCI supported its 510 COTTON USA licensees around the world through point-of-sale promotions, multimedia consumer campaigns and public relations efforts aimed at increasing sales of COTTON USA Mark-labeled products at retail.



Twenty Korean yarn and fabric sourcing executives and garment production executives who have operations in Central America and the Caribbean – important customers of U.S. yarns and fabrics -- participated in the CCI-hosted COTTON USA Korean Apparel Manufacturers Tour to the United States.

CCI's Cotton Education program focused on increasing consumer demand for 100 percent cotton products in China and India. Many celebrities supported COTTON USA in Asia. Fashion designers from the United Kingdom to Thailand used U.S. cotton in their collections.



Buyers from Bultel (Germany) and Gruppo Coin (Italy) inspect a U.S. cotton garment during the COTTON USA Buyer's Tour to Thailand – one of several CCI- hosted events where brands and retailers met with international manufacturers of U.S. cotton goods.

Mills, brands and retailers in the Western Hemisphere and around the world took advantage of the business opportunities CCI offered for sourcing U.S. cotton and cotton products.

CCI also benefited from the continuation of multiple supporters, including the NCC; Cotton Incorporated; the American Cotton Shippers Association; the American Cotton Marketing Cooperatives; the Committee for Cotton Research; the Cotton Foundation; the National Cottonseed Products

Association; ICE Futures U.S.; Plains Cotton Growers, Inc.; San Joaquin Valley Quality Cotton Growers Association; Southern Cotton Growers, Inc.; Supima; the USDA; U.S. cotton yarn and textile manufacturers; and COTTON USA Mark licensees around the world.

The Cotton Foundation

Major activities carried out during 2011.

The Cotton Foundation continued its important role in industry members' quest for profitability by assisting in ongoing research and education efforts. The Foundation Board of Trustees approved funding for 24 general research projects totaling \$388,725 for 2011-12. Approved projects include studies related to pest management, herbicide resistance, fiber quality, agronomic practices and education.

U.S. cotton is enjoying a healthy return on investment from these efforts. National Cotton Council staff calculates 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.

Some Foundation members continue to go above and beyond their dues support by channeling funds toward special projects – efforts that are helping the NCC address industry's needs.



Participating in a Multi-Commodity Education Program tour of Mid-South rice, soybean and cotton operations were from left: producers Grant Troop, Oxford, PA; Gordon Stoner, Outlook, MT; Garry Neimeyer, Auburn, IL; Greg Kessel, Belfield, ND; Doyle Lentz, Rolla, ND; Wendell Lutz, Dewey, IL; Bob Beakley, Ennis, TX; Chip Bowling, Newburg, MD; and Freddie Streit, Vernon, TX.

"The Vision of the U.S. Cotton Industry in the 21st Century" project, for example, that is jointly managed by the NCC, CCI and Cotton Incorporated, completed three study areas: 1) logistical issues affecting U.S. raw cotton flow from the gin bale press through warehousing to the mill; 2) environmental aspects of U.S. cotton from field to fiber; and 3) an in-depth assessment of Asian consumer apparel and textile product markets. The studies' findings have been reported to and discussed among the stakeholders and input gathered for future work plans.

A learning module and educational video were completed for the Herbicide Resistant Weeds project. That included technical training material to aid in detection and management of resistant weeds and to assist in proactive training for locations with no known herbicide resistance problem to date. These tools are helping the NCC in its quest to provide producers with the latest information on managing for resistance and how to avoid its occurrence.

Stress Physiology In Cotton was added to the Foundation's Reference Book Series.

The Foundation continued to support vital NCC communications vehicles, including the *Cotton's Week* newsletter, AgDay Cotton's Week and the *Cotton eNews* electronic newsletter. Foundation underpinning of the NCC's web server made it possible for the NCC to post multiple cotton-related educational materials, including streaming video.

Video Staff Report

<http://www.cotton.org/about/report/2012/foundation.cfm>