

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the
February 28, 2002 Meeting

Arkansas State Plant Board
Little Rock, AR

Members present were Joe Burns, Mark Bryles, Perry Stratton, Don Alexander, Jack Carey, and Ritter Arnold. Hal Hyneman was present on line. Trent Felton and Charles Tilmon were not present.

Others present were Cal McCastlain, attorney for ABWEP; Doug Ladner, Mike Catanach, Danny Kiser, Ted Wagnon, Patty Carr, and JoAnn Arnn, ABWEP; Cecil Williams, Ag Council of AR; David Blackburn, Darryl Little, and Mark Stoll, ASPB; Ronnie Antici, Griffin L.L.C.; Gene Martin, AR Farm Bureau; Ken Pierce, USDA-APHIS; Bill Yearian, U of A Entomology; Bill Robertson, U of A CES; Stanley Hill, AR Farm Bureau; Orelan Johnson, farmer, England, AR; Chad Powell, farmer, Coy, AR; Greg Bell, Simmons Bank, David Mosley and Jacob Wells, Jeffrey, Phillips, Mosley, and Scott Accounting; Stewart Doan, Farm director for KSSN, Little Rock, and KFIN, Jonesboro; David Mercer, Arkansas Democrat-Gazette.

Chairman Burns called the meeting to order at 9:30 a.m. and asked Ritter Arnold to lead in a word of prayer.

Approval of January 17, 2002, and February 14, 2002, meeting minutes

Chairman Burns asked if there were any additions or deletions to the January 17, 2002, minutes. There were none. Jack Carey moved they be accepted as presented. Perry Stratton seconded and the motion carried.

Chairman Burns asked if there were any additions or deletions to the February 14, 2002, teleconference-meeting minutes. There were none. Carey moved they be accepted as presented. Stratton seconded and the motion carried.

Certification of the NE Delta Referendum Ballot Count

Craighead County – 466 ballots cast
55 – ineligible producers in western Craighead County
64 – had no 2001 crop interests
 6 – had ballot, but no vote
13 – partnerships, didn't vote entities in the partnership
 2 – empty envelopes
 7 – duplicates
 3 – late postmarks
 1 – voted on wrong form
315 ballots were certified
 200 yes
 115 no

Mississippi County – 826 ballots cast
35 – did not meet the cotton acreage for the year 2001
 3 – outer envelope was not signed
 5 – delivery was after the deadline
56 – duplicates, no ballots
727 ballots were certified
 428 yes
 299 no
60.3 % were in favor of the referendum.

After some discussion Ritter Arnold made a motion that the figures presented by Don Alexander be accepted. There was a second by Mark Bryles and the motion carried.

Update on Collections & Revenues

Alexander reported that he has been in contact with representatives of the companies we have agreements with and Cal McCastlain has been in contact with their attorneys. Both of them have very large insurance settlements. We have been told that we would be paid upon receipt of those settlements. Alexander made a motion for the Board to instruct our attorney to take appropriate and immediate action on collection from Tyler and E & V Farms. Jack Carey seconded and the motion carried.

Alexander said the governor has transferred \$1,000,000.00 of the \$2,500,000.00 Plant Board. \$200,000.00 was transferred in January, so there is \$1,200,000 in the account. The rest will be transferred nearer the end of the fiscal year.

After some discussion of the Tyler and E & V Farms situations, Perry Stratton made a motion that the Board come out immediately with a strong policy to let the growers know before they plant cotton that they must pay the assessments up front. Ritter Arnold seconded.

Doug Ladner said that a policy should to be developed, so we can say that this is a policy of the Board.

The motion carried.

There was discussion concerning the money, which has been held in escrow for the NE Delta. Alexander asked that the money not be allocated until he can develop a proposal concerning a quarantine. He feels a quarantine program would cost \$500,000.00 a year. Discussion was tabled until the Plant Board can make a recommendation.

Ladner was asked to bring a presentation to the next meeting concerning how to deal with eastern Poinsett County.

Orelan Johnson and Chad Powell asked to meet with Ladner at a future date regarding concerns they have about what is going on out in the fields.

2001 Preliminary Audit Report

David Mosley reported that the fieldwork associated with the annual audit has been completed. Jacob Wells presented an overview of the financial statements (attachment 1), copies of which were provided.

Copies of a management letter (attachment 2) were provided. Mosley said this report provides the opportunity for the auditors to bring to the attention of the Foundation management, as well as to members of the Board, any items that are important to communicate as a result of the audit testing they did. Page two consisted of observations and recommendations in three areas; property and equipment, accounting for leases, and program life cycle projection.

Ritter Arnold asked if the auditors do spot checks of field equipment inventories as a part of the audit. Wells said they wouldn't spot check things physically unless they had a reason to believe there was a problem.

There was discussion of tracking vehicles. Alexander recommended that the audit include spot-checking of equipment and vehicles. The auditors said they could do that on this audit.

After some discussion Ritter Arnold moved that management go to a quarterly general ledger balance that is reviewed by the auditors. Perry Stratton seconded. The motion passed.

Program Update

Copies of the financial report (attachment 3) were provided.

Ladner reported that he thinks there will be a reduction in crop acreage for 2002.

Training is now in progress.

Field Unit Supervisors, Assistant District Supervisors, and District Supervisors will begin training on March 11 for two weeks. This is intense training. There will be field training as well. Emphasis will be on grower support and communication.

At the present time we are under budget.

Ladner reported that Zurich is no longer in the ag insurance business and Gallagher is looking for new sources. Our pollution insurance is not through Zurich.

Jack Carey asked if the time would come when assessments can be lowered. Ladner said it would be extremely difficult to reduce the assessment this year. He said it might be possible to look at it at the end of this year.

McCastlain stated that the Tyler and E & V Farms tried to get in under the hardship exemption, and it was determined that these were not hardship cases. He said the criteria for hardship may include a late or unavailable financing through no fault of the grower. The other criteria may include regional economic conditions, or regional climate or environmental conditions, such as a countywide disaster.

McCastlain said it should be stated in a resolution that the farm economy and the cotton industry as a whole are experiencing the same depressed state, and that the economic condition is not recognized as a regional situation for the purposes of this hardship. Tight credit situation is not reason for a hardship. Growers are responsible for arranging their financing on the front end, and the financing does not cover the cost of the assessment, then they are responsible for those short falls. Those situations do not fall under the hardship regulations.

Jack Carey suggested that McCastlain write the statement making clear the Board's position on hardship. Carey moved that the Board's position on hardship be made clear. Perry Stratton seconded and the motion carried.

Chairman Burns said that Jim Brumley, the director of the southeastern organization called and asked if it would be helpful for a group of Board members from Arkansas, Missouri, Tennessee and Mississippi to meet and develop a strategy relative to the Delta vote failure. There is feeling that the no-fly zone should be assisted with extra funds and that the containment zones around Mississippi County should be assisted. That would include Arkansas, Missouri and Tennessee. Burns feels that a meeting would be helpful.

There was discussion on options for the NE Delta.

Ladner had information on chemical bids. Last year Griffin was \$21.90 and Cheminova was \$22.10. This year the bid from Griffin was \$20.25 and from Cheminova was \$20.54. Ladner said that some states have gone with a single source. He prefers to stay with two sources with the majority going to the low bidder.

New Business

The next Board Meeting was set for March 27, 2002, at 10:00 a.m. at the Arkansas State Plant Board.

With no further business, the meeting adjourned at 12:20 p.m.

JOE BURNS, Chairman