

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the
March 27, 2002 Meeting

Arkansas State Plant Board
Little Rock, AR

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

Others present were Cal McCastlain, attorney for ABWEP; Doug Ladner, Mike Catanach, Danny Kiser, Ted Wagnon, Patty Carr, Tasha Gunn, and JoAnn Arnn, ABWEP; Cecil Williams, Ag Council of AR; George Tidwell, ASPB; Greg Bell, Simmons Bank; Gerald Wilson, Cheminova; Ronnie Antici and Ken Johnson, Griffin L.L.C.; Gene Martin, AR Farm Bureau; Ken Pierce, USDA-APHIS; Jim Plato, Plato Industries Ltd.; David Mercer, Arkansas Democrat-Gazette; Richard Myers, UAP Mid-South; Mike Bryant, land owner; Randy Eagle, Eagle Farm Ptr.; Laudies Brantley, producer; Frank Carter, National Cotton Council; Carol Griffee, Jonesboro Sun; Gus Lorenz and Don Johnson, U of A CES; Richard Bransford, producer and ginner; and Ron Harrod, AAAA.

Chairman Burns called the meeting to order at 10:05 a.m. and asked Gene Martin to lead in a word of prayer.

Approval of February 28, 2002, meeting minutes

Chairman Burns asked if there were any additions or deletions to the February 28, 2002, minutes. Perry Stratton made a correction to a motion that he had made. It read – 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. Stratton said it should have read per payment policy. Chairman Burns called for a vote on the correction. All were in favor of the correction. Chairman Burns asked if there were other additions or deletions. There were none. Mark Bryles moved that the minutes be accepted with the correction. Stratton seconded and the motion carried.

National Cotton Council Meeting

Chairman Burns and Jack Carey recently attended a meeting of the National Cotton Council. Carey said one of the main things at the meeting was the concern of the rest of the cotton belt over the area of the NE zone that has not passed a referendum. This is the third year for part of the program in Tennessee and they have had no zero fields of weevils because of the weevils coming across the river from Mississippi County. They are not making the progress that has been made in other areas. Some fields that are farther from the river have had some zero counts.

Carey said the money that was available had the referendum passed is no longer available, except that for Poinsett County. That area has already been voted in as a program, so money will be available to help get that program started.

Chairman Burns added that Tennessee has treated the area along the river with forty applications over three years and have had no zero fields. They cannot eradicate the weevil across the river from Mississippi County because of migrating weevils. Jim Brumley, the Southeastern director, made the point that until that area becomes a part of the program, he will never be able to eradicate no matter how long he sprays or how much he spends on it.

Don Alexander stated that at the last Plant Board meeting he asked for the support of the Board in the authorization of the Plant Board to go forward with contacting our neighboring states regarding a quarantine program, and to solicit from the other states a uniform quarantine program, using the model that USDA presented to the Southern Plant Board April 10, 2000.

Osama El-Lissy and Bill Greffenstette sent Alexander what they believe to be the outline of the quarantine that they are moving forward with. Alexander plans to establish some type of meeting the first week in April where the affected states can participate in a dialogue on moving forward with a quarantine.

Chairman Burns asked what the target was on having a quarantine in place. Alexander said by harvest time this fall.

Chairman Burns reported that Jim Brumley thought he had a good plan in proposing to get voluntary permission to do a diapause in Mississippi County. The question on that is whether or not we can legally do that. It would not eradicate the boll weevil, so it was decided that it may not be a workable solution. The real answer is to get a program up there that the growers can accept or pass. Chairman Burns thinks that will have to come from a grass roots effort.

Chairman Burns asked if anyone had any suggestions as to how to proceed with the NE Delta zone at this time. Cal McCastlain said there may be enough growers there that it would be feasible for us to enter into voluntary agreements with them in the diapause area and do it in a way that logistically and technically it makes sense. He said, from a referendum standpoint, it might be possible to do smaller increments as we continue closing in the gap and it may be something we build on from those voluntary agreements. He said there are growers in the three corner area, Poinsett, Crittenden and Mississippi counties, who would be interested in being a party to a voluntary agreement, especially if it would keep them out of the quarantine issues. From the quarantine standpoint, he said that if someone is actively involved in the program some exceptions and accommodations should be built in for that.

Dick Bransford suggested a projection of what it will cost the gins to treat every load of cottonseed that leaves the gins. He said the cost to the gins will have to be passed on to the producers because most ginners are not making enough profit to absorb it. If the producers realize that the cost will be passed on to them, it might change some opinions.

There was discussion of the cost of a quarantine, and other issues related to a quarantine. George Tidwell stated that if the cost of a quarantine is higher than the cost of a referendum, more might be willing to vote for a referendum.

Perry Stratton made the following points:

1. We need to move forward with plans for a quarantine as quickly as possible.
2. Education is important.
3. He doesn't like the approach of redesigning the zones, because ultimately there will be an area that will never join.
4. He feels the answer is for the 60% who were in favor of a referendum to get together and get the job done.

Alexander made the point that at the end of the eradication program there is a maintenance cost. If there are continued reinfestations because there is not a sound quarantine in place, cotton farmers that are now in the quarantine program will have added cost. There will be a higher maintenance cost than there would be without a quarantine.

Chairman Burns said the growers in the NE Delta zone tell him that if we could change the landlord participation clause that they could pass the referendum. McCastlain said there are a couple of issues on changing the law. If the law is changed, you run all the risks that always are there on amending legislation. If we are the promoter of that change, how does that sell with the rest of the state that's already in the program, and how does it affect their program? One way that we might do that without changing the law is to have a referendum with the term of the deal be that the landlords will be assessed their commensurate share, commensurate with their share leases. They have to be share leased to be included as a cotton grower anyway, and perhaps a way to avoid the question of affecting leases in place is have that go into effect two years in the future. You're informing everyone in advance what the lease arrangements are going to entail when it goes into effect. You further minimize any leases, any multi-year leases, that might be affected. He said the timing is easy enough to work out, but he thinks that the earlier the referendum in that kind of thinking the better.

Trent Felton asked Alexander how long it will take to assemble the figures on cost, meet with the other states, come up with your program, come up with cost, determine who is going to pay these costs, if those costs can be borne by the gins or by the farmers moving quickly. Once they know we know these costs and that the costs can be passed on to them, cost would have a big influence on whether the referendum passes or not. Alexander said they will move on it as fast as they can.

Regarding E & V Farms and Tyler Farms, the Board previously gave directions to go ahead and take legal actions to start collecting. We had already filed liens on the cotton. We made a more formal demand that everything be paid as of this past Monday. It was not paid. If this is not resolved by April 8, 2002, lawsuits that would be necessary for collection will be filed. Copies (Attachments 1 and 2) of letters to E & V Farms and Tyler Farms were provided. The only difference in the two letters is the acreage amount, which translates into the total penalty amount. From the legal standpoint McCastlain said that he highly recommends that we get penalties in place, as long as this is not resolved. He said the recommendation should come from this Board, and then the Plant Board would proceed as it wishes.

Ritter Arnold moved to strike the language in the letters concerning the abatement of the penalties. He said in the subsequent paragraph there is procedure to handle that anyway. Jack Carey seconded. To clarify, Arnold said in the paragraph under the calculations he would strike "You may avoid all of these penalties if you make payment of all outstanding balances of 2001 boll weevil assessments and accrued interest by April 8, 2002". McCastlain recommended striking the entire paragraph. The motion carried.

McCastlain stated that this Board's recommendation to the Plant Board is that they assess the penalties in the manner described in the letters.

Chairman Burns asked Doug Ladner if a letter will be sent out addressing the issue of assessments. Ladner said a letter will be going out soon dealing with revisiting the assessments policy.

Mike Bryant, grower and landowner, brought the following issues before the Board – off-target spraying, stalk destruction and spraying continuing after disking had been done. There was discussion.

Program Update

Copies of the financial statement (Attachment 3) were provided.

Ladner said that the Board had asked at the last meeting that a budget be drawn up for east Poinsett County. What has been drawn up is based on 25,000 acres. Ritter Arnold recommended that eastern Poinsett County go active this fall with the diapause program. He said a program has been drawn up for \$105.00 an acre. That includes the \$5.00 rebate that the other active zones have already benefited from. Arnold's recommendation was taken as a motion and Charles Tillman seconded.

Arnold said there are twenty to thirty farmers in that area. Ladner stated that if it is the Board's recommendation that we go forward, we support that. There would be meetings with the growers to explain the procedures and the program to them.

The cost for eastern Poinsett County would be as follows:

- \$10.00 – year one
- \$25.00 – year two
- \$24.00 – year three
- \$24.00 – year four
- \$22.00 – year five

After some discussion, a vote was called for. The motion carried.

Copies of the first two pages, Table of Contents, of the training manual (Attachment 4) were provided and Ladner said this would give the Board an overview of what is being taught. He said copies of the manuals would be sent to the Board with the minutes.

Ladner said the mechanics had training at the Forrest City shop. Every two weeks equipment monitors will have looked at every piece of equipment that we have. A lot of changes have been made to help eliminate the abuse that the program experienced last year.

The trapper contract agreements are out. Copies (Attachment 5) were provided.

Richard Sharp from FSA is coming in a 1:15 to sign our FSA loan agreement and we will immediately after that request two million dollars from FSA. They were holding three million in case Mississippi County came in. We want to borrow only what we need.

Ladner said that at this time we don't know how much acreage there will be this year. Our people are already out in the field meeting with growers and checking the maps with their fields.

Perry Stratton had asked for an assessment breakdown. Copies of a map (Attachment 6) were provided. On the map Mike Catanach color-coded the different assessment areas of the state. There will be a change on the map because of east Poinsett County. Catanach said he would make the change and get new maps to the Board by the next Board Meeting.

Copies of 2002 Estimated Chemical Needs By Zone (Attachment 7) were provided. It also showed who the supplier will be for each zone. We are still maintaining support of both chemical suppliers.

There was discussion of maintenance fees in the Southwest zone. Chairman Burns asked Charles Tilmon to set a maintenance suggestion. Tilmon said those who administer the program will need the maximum amount which can be set. Jack Carey seconded. The motion carried.

Jack Carey asked about getting a copy of personnel in each of the areas. Ladner said the next newsletter will be dealing with issues related to assessments. A week after that we intend to get a newsletter out, and probably follow it up on weekly basis for at least three weeks, maybe four. The first week there will be a list of employees in the Southwest and Southeast zones. The second week will have a list of employees in the Central zone, and then the third week a list of employees in the Ridge. The Contact Information book is being revised.

New Business

Alexander had a question about the dates for reporting. McCastlain said according to the regulations the First Intended Planting Report is due by May 31 and the Certified Acreage Report is due by July 15. When FSA has extended that certification date in July, we, by a resolution, have granted an extension. The first notice that goes out needs to have those two dates.

Alexander stated that he has already received a request for exemption. Alexander said that he would notify this individual that he has the right to come to the next Board Meeting and it would be considered at that time.

Jim Plato reported that Plato Industries has provided 250 vests which are high visibility color, and very functional for the trappers.

Mark Bryles said that in the NE Delta zone they are continuing to take a look at the situation within the leadership in their county. He said they welcome input and suggested that anyone with advice could contact David Wildy, Mike Wilson, who was selected by the ginners to work on this, or himself.

Bryles had questions about the 2.7 million dollar in federal funds. Frank Carter commented that the Boll Weevil Action Committee agreed at its meeting last September to allocate the federal cost-share funds among all of the state foundations. Two zones were going to conduct a referendum between that September meeting and sometime next spring. The committee agreed to hold the funds that would be allocated to those two zones to give them time to pass a referendum, or not. Depending on whether those referendums passed or not, the executive committee would come together and decide what to do with those funds. The assumption is that if a zone did not pass a referendum those funds would go back into the whole pot and then be allocated among all the

foundations again. In this case, Arkansas would get their share of that. The executive committee next week will make those decisions and there are a couple of things that will be brought to the executive committee. The Poinsett County option would be one of those. Using the 2.7 million dollars in a diapause program has been discussed. That plan has been dropped because APHIS told them it wasn't workable. APHIS money only goes to active zones.

The next Board Meeting was set for Wednesday, April 24, 2002, at 10:00 a.m. at the Arkansas State Plant Board.

With no further business, the meeting adjourned at 1:00 p.m.

JOE BURNS, Chairman