

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the
August 22, 2002 Meeting

Arkansas State Plant Board
Little Rock, AR

Members present were Mark Bryles, Perry Stratton, Darryl Little, Jack Carey, Trent Felton, Charles Tilmon, Laudies Brantley, Jr. Hal Hyneman and Ritter Arnold.

Others present were Cal McCastlain, attorney for ABWEP; Doug Ladner, Mike Catanach, Danny Kiser, Ted Wagon, Patty Carr, Kristal Boehn, and JoAnn Arnn, ABWEP; Cecil Williams and Don Alexander, Ag Council of AR; Ronnie Antici, Griffin L.L.C.; Jim Plato, Plato Industries Ltd.; Don Johnson, UACES; Frank Carter, National Cotton Council; Gene Martin, Farm Bureau; Bob Hulett; Ron Harrod and David Duke, AAAA; Ken Pierce, USDA; Richard Myers, UAP Mid-South; and Dotson Collins, Governor's Office.

Chairman Stratton called the meeting to order at 10:05 a.m. After introductions Cecil Williams was asked to lead in a word of prayer.

Approval of July 16, 2002, meeting minutes

Chairman Stratton asked for a motion to approve the minutes. Jack Carey moved that they be approved as mailed. Trent Felton seconded and the motion carried.

Update on Assessments

Darryl Little reported that \$8,926,248.51 has been transferred to the Foundation. \$7,140,740.29 has been received and receipted, and is ready to transfer to the Foundation. \$1,850,433.14 has been received, but not yet receipted.

Report on TAC Meeting

TAC report was given by Don Johnson. Copies (Attachment 1) of the minutes from the August 7, 2002, meeting were provided. Their next meeting will be in Pine Bluff on September 13, 2002 at 10:30 a.m. in the Farm Bureau conference room.

Trent Felton asked if the TAC has discussed whether cotton seed is a regulated article or not. Johnson said he asked Tina Teague to continue to investigate, and she has made some contacts on that situation. He said that she has found more information to substantiate the conclusions of the TAC. He said they have not found evidence of infestation based on cotton seed. Johnson said research was being done by a team of people in Texas and is a USDA effort. He said they would have more information at the next Board meeting.

Hal Hyneman asked the date of the State Plant Board meeting to discuss the quarantine regulations. The meeting will be September 19, 2002.

There was discussion of the quarantine issue. Hyneman asked Little if the Grower Board can go to the Plant Board meeting and present changes in the regulations that the Grower Board would like to see considered, or if we need to have our attorney write that now and send it in comment form during the comment period. Little said it could be handled either way. After more discussion, Chairman Stratton said that this is probably the most serious problem the Board will face. He also said it would be easier to go into the quarantine with the regulations as close as possible to the way the Board wants them, rather than try to change them later. He said he would like for the Boll Weevil administration to work closely with the TAC group to come up with answers to these questions.

Little said it is extremely important for the Board to be in a position to defend the quarantine from a biological standpoint. He said that is one of the reasons more information should be gathered. There is an entirely different realm that the Plant Act covers under the Plant Board dealing with public nuisances. Little reiterated that the quarantine must be defended from a biological standpoint, and it should not look like an economic penalty that is punitive towards any group.

Hyneman made a motion that this Board formulate a response to the request for comments on the regulations and present it to the State Plant Board, either in written form or at their next meeting. Jack Carey seconded.

After more discussion, Frank Carter said the federal quarantine is still in draft form. It is an incomplete document and not yet available for public comment.

Hyneman was asked to restate the motion. He said it was that this Board would formally frame a response to the request for comment on the proposed quarantine regulations that would outline our position as a Board.

Chairman Stratton called for a vote on the motion. The motion passed. There was one opposing vote.

Hyneman suggested that Cal McCastlain draft a letter. McCastlain will draft a letter after receiving input from all Board members by phone. He suggested that a committee of two or three be formed to refine it. It would need to be presented to the Grower Board at a meeting that should take place prior to September 19, 2002.

Charles Tilman asked that the Board members be given copies of the regulations. Copies (Attachment 2) were provided.

In response to a question from Jack Carey concerning hardship requests, Little said the requests are being handled by the Agency as instructed by this Board and the Plant Board. No one has asked to appear before the Board.

Program Update

Doug Ladner reported that at this time of year the boll weevil counts start going up because of the movement of the weevils. This year there is a flattening and even a decrease in those counts, so he is very optimistic.

Through a PowerPoint presentation Danny Kiser gave an overview of how things are progressing in each zone.

Ladner stated that chemical costs are up approximately 20% because of a very wet July.

Chairman Stratton stated that the Foundation and TAC need to start formulating plans, guidelines and budgets for a definitive maintenance program. Ladner said there is a national endeavor to come up with a maintenance program procedure, and we will probably be using that as a guide.

Search Committee Update

Ritter Arnold said he and Ted Wagnon thought it was important that a message be sent to the cotton growers involved in this program about the upcoming transition. They wanted to get the message out that this was an ordinary and expected transition as opposed to someone leaving because they were dissatisfied, or because there was dissatisfaction on the part of the Board. Wagnon prepared a press release, which went out in the Boll Weevil Bugle, as well as some other publications.

At the last Board Meeting, members went over the proposed job description and solicitation, and finalized it. Subsequently it was placed in some newspapers and industry publications. The ad ran in the Memphis Commercial Appeal, Montgomery Advertiser in Alabama, The Reporter News in Texas, Shreveport Times in Louisiana, Arkansas Democrat Gazette, and The Delta Farm Press.

Twenty-four applications have been received.

Arnold proposed that the Board members review the applications. He recommended that the Search Committee meet by conference call in approximately two weeks to work the number of prospects down to a manageable level, and, then hopefully, to have interviews before the next Board meeting.

McCastlain suggested having the conference call in one week to give more time to interact with the applicants. Arnold put that in the form of a motion. Carey seconded and the motion carried.

New Business

Copies (Attachment 3) of concerns from the Arkansas Agricultural Aviation Association were provided. Ron Harrod and David Duke were present representing the AAAA.

Harrod said they conducted a survey of all twenty-eight contractors, asking their concerns and things they thought would help the program. Ladner said he would like to meet with Chairman Stratton, Harrod, and Duke. He said he believes there have been some misunderstandings. He said the contract would be revised before the 2003 season. He wants to ensure that the AAAA has an opportunity to review and make comments to the proposed revised contract for next year.

In other new business, Frank Carter reminded the Board that the National Cotton Council Boll Weevil Action Committee would be meeting in Little Rock on September 24, 2002. Flyers (Attachment 4) concerning the meeting were provided.

He said several things will be discussed, the most important probably being the allocation of the federal money that, hopefully, will come through the appropriations process.

They will also talk about the development of the federal quarantine and post-eradication maintenance type activities.

He reported that 10 million acres would be in active eradication in the Cotton Belt this year. Four areas have not yet begun operations. They are Northeast Arkansas Delta, Saint Lawrence Texas area, Lower Rio Grand Valley, and the Northern Black Lands of Texas, totaling 750,000 acres.

It is still early in the appropriations process. The House has come forward with supporting what the industry has asked for, \$62 million to provide 30% cost share for the national program. The Senate has not come out with an amount yet. In the 2000 crop year federal cost share was 4-5%. In 2001 and 2002 the cost share was 30%.

Financial Update

Copies (Attachment 5) of the financial statement, as well as, copies (Attachment 6) of revised formats were provided. The revised formats will give information that will be more meaningful. Each zone will be set up on its own financial statement. The general program overhead will be allocated to each zone. The amount allocated to each zone will be determined by number of acres in the zone.

Hyneman reported that this year's budget was built around the number of acres, including Mississippi County, The portion for Mississippi County was taken out, and when the final budget was done, it was deducted again. This resulted in being under-budgeted in insecticide and aerial applications. On top of that we have not gotten the remainder of the grant from the state, some \$2 ½ million. The net result is that we did not ask for enough loan, so we'll have to go back and do one of two things: either ask for an additional advance for this year's eradication, or ask for a deferment of the payment that is due under those loan contracts with issue, which is roughly \$5 million. This has not had any effect on the financial integrity of the program. A decision will be made as to which option to pursue. Hyneman feels that either way would work for us, and we would still be back on track next year.

Hyneman asked where we stand on the negotiations on the capital leases on the trucks with the bankrupt leasing company. Ladner said we told Ag Heritage that we would consider continuing with the lease, or purchasing them. Ag Heritage wanted us to purchase them for the remainder of the lease. We are not going to do that. Ag Heritage is required to honor the lease. No one can take the vehicles away from us. We are paying on time. They are putting the sales tax in escrow. The bankruptcy trustee and Ag Heritage are the ones who are communicating because it's their issue. We will pay our lease off, if Ag Heritage comes to us with a fairer buyout, we will consider it.

There were no reports from the suppliers.

The next Board Meeting was set for Monday, September 16, 2002, at 10:00 a.m. at the Arkansas State Plant Board.

The meeting adjourned at 12:10 p.m.

PERRY STRATTON, Chairman