

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Revised Minutes of the  
September 26, 2002 Meeting

Arkansas State Plant Board  
Little Rock, AR

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

Others present were Cal McCastlain, attorney for ABWEP; Doug Ladner, Mike Catanach, Danny Kiser, Patty Carr, and JoAnn Arnn, ABWEP; Jim Brumley, Executive Director, SEBWEF; Cecil Williams and Don Alexander, Ag Council of AR; Don Johnson, Glen Studebaker and Gus Lorenz, UACES; Gene Martin, Arkansas Farm Bureau; Ron Harrod, AAAA; Ken Pierce, USDA; Stewart Doan, Yancy Ag Network; Carol Griffee, Jonesboro Sun; David Mercer, Arkansas Democrat Gazette; David Wildy, Mississippi County producer; Danny Finch, Craighead County producer; Randy Veach, NE producer and ASPB board member; Frank Carter, National Cotton Council; and Mark Stoll, ASPB.

Chairman Stratton called the meeting to order at 10:00 a.m. After introductions, Jack Carey was asked to lead in a word of prayer.

**Approval of September 16, 2002, meeting minutes**

Chairman Stratton asked for a motion to approve the minutes. Laudies Brantley moved that they be approved as mailed. Mark Bryles seconded. Motion carried.

**SE Foundation Proposals**

Jim Brumley was asked to discuss the two plans proposed by the South East Boll Weevil Eradication Foundation. Copies of Proposal #1 were provided. Brumley stated that the SEBWEF is responsible for all the boll weevil eradication efforts in Missouri and east of the Mississippi River. There are state foundations in all states they work in. Each state foundation elects three people to sit on the South East Board. Two of those must be active cotton producers and the third is the regulatory person who is responsible for boll weevil eradication. Brumley said he works for the South East Board. He said what they do is eradicate the weevil, run post-eradication where the weevil have been eradicated, and send statements at the end of every month showing how much money was spent and then each state sends the Foundation a check.

A decision was made by the South East Board to offer a joint effort to fix the situation in northeast Arkansas. The reason they are making the offer is that, instead of treating the symptoms of the problem, they would rather use their money to fix the problem. Brumley said they have an economic problem with the Arkansas boll weevil coming into southern Missouri and west Tennessee. He said it is to the SEBWEF's benefit that the cotton in northeast Arkansas is in a program.

## Proposal #1

- ABWEF would manage NE Delta Zone.
- SEBWEF would pledge to ABWEF for NE Delta Zone, \$2 million for year one, to be paid by October 15.

The money would come from the buffer zone fund, which is paid by everyone in the southeast on a per acre basis. It is billed in September to be received by October 1.

The money would be provided to the ABWEF by October 15.

- SEBWEF would pledge to ABWEF for NE Delta Zone. \$1.5 million for year two, to be paid by October 15.
- SEBWEF would transfer all excess government APHIS equipment to ABWEF (trucks, mist blowers and hi-boys)

They are not new, but are functional and Brumley said his shop people estimate it would cost an average of \$500 to get the trucks ready to run. All of the vehicles are 1995 models or older.

ABWEF would probably have to help from a political standpoint with APHIS. Before 1995 when there was 70/30 cost-share plus a quota, APHIS bought the SEBWEF all the equipment they needed to run boll weevil eradication. Since that time equipment has been loaned for the life of the equipment.

- SEBWEF would have no liabilities for ABWEF program, such as cost overruns, debt, etc.
- SEBWEF would provide any other assistance possible to ABWEF with the managing and the operating of the NE Delta Zone.

Most people in operations would say if we have a severe winter, the best thing to do would be to have a spring start up program. If ABWEF chooses to have a spring start up program, Brumley would bring some of his experienced people from post-eradication to help our people in the fields to get traps installed, to train trappers, and to train new employees. He said there would be no charge for that.

- SEBWEF would ask that ABWEF give them a seat on the Arkansas Grower Board for the years they provide financial support.

They are not asking for a vote seat, but someone present on our Board to report back to the SEBWEF as to what is going on in Arkansas and what happens at the Board meetings. Brumley said they need to protect the investment, so they can answer the questions of those people who are paying them money.

Hal Hyneman asked if the SE's maintenance fee was uniform across the different states. He was told it varies. Brumley said what they do on all their programs is in the winter they give each state a budget for the following year, whether it's post-eradication or an active program. Each state sets its own assessments.

Hyneman asked what the SEBWEF thinks the cost of eradicating the weevil in NE Arkansas will be. He asked if they had looked at a budget for that area. Brumley said, yes, and that he believes the boll weevil could be eradicated in that area in a five-year program for around \$80.00 an acre.

Mark Bryles asked about federal funds. In response Brumley said he was told at a meeting in NE Arkansas that the growers thought they could pass a \$50.00 referendum. If the SEBWEF got \$50.00 from the growers, 30% cost share for four years from the federal government, the money they have asked ABWEF to put into that program, and the money the SEBWEF will put into that, they think they can make that program work.

Don Alexander asked if they were looking at a \$28 million program. Brumley said that was correct. He said he built the budget on 330,000 acres.

Copies of Proposal #2 were provided.

### **Proposal #2**

- ABWEF would give the managing and operation of NE Delta Zone to the SEBWEF by a memo of understanding.
- ABWEF would try to pass a referendum for NE Delta Zone as soon as possible. Not less than \$10.00 per year for 5 years to be paid by the producer.

Brumley said the reason he says as soon as possible is that to participate in the federal funds they would have to have, there must be a passed referendum by February 1. If it is done as soon as possible and it fails, there may be enough time to try again prior to February 1. It may be possible to get a thirty-day extension.

- ABWEF would pledge to SEBWEF \$2 million for NE Delta Zone for year one, to be paid by February 15.
- ABWEF would pledge to SEBWEF \$1.5 million for NE Delta Zone for year two, to be paid on a date to be determined.
- ABWEF would provide support to SEBWEF for NE Delta Zone:

1. Sign over APHIS cooperative agreement for NE Delta Zone.  
The cooperative agreement is the vehicle they use to get their federal funds. It would be moved from Ken Pierce's budget to the SEBWEF budget.
  2. Provide any state funds that might be available now or later for NE Delta Zone.  
This would be only the share that would come to the northeast Arkansas producers.
  3. Collect grower assessments and transfer to SEBWEF as soon as possible.
  4. Provide any GPS maps and data for NE Delta Zone.
- SEBWEF would take all responsibilities for NE Delta Zone:
    1. Managing and operating for NE Delta Zone.
    2. All financing (cost over-runs and shortfalls).
  - SEWBEF would provide to ABWEF one seat on its Board of Directors for those years of active program in NE Delta Zone.

Gene Martin asked if there would be a maintenance fee after the five years. Brumley said he did not deal with anything past five years. He felt the maintenance fee should be dealt with after the boll weevils have been eradicated.

Brumley was asked what it would do to his budget if the \$50.00 were paid over a seven years instead of five. He said he had not considered that.

Hyneman said to do this would result in giving up a maintenance fee, because in the sixth and seventh year they would still be paying a part of the \$50.00.

Alexander asked Brumley what his buffer zone costs would be. Brumley replied that his 2003 buffer zone budget is \$4.5 million.

Ritter Arnold asked how far along they are with the Missouri program. Brumley said in northern Missouri they are farther along than he had forecasted them to be at this point. In southern Missouri along the state line, they are not nearly as far along as they should be. He said it would never get any better as long as there is a weevil in northeast Arkansas.

Hyneman commented that we have always passed the maintenance fee along with the referendum, so we would know the funds would be there to keep the area clean, instead of having to come back and run a separate referendum.

Frank Carter said that one thing to think about is that if FSA loans are under consideration, they are on a seven-year schedule, so it would probably be better to include two years of maintenance fee and have a seven-year structure. Brumley's advice is to pass the longest-term referendum that you can pass.

Hyneman asked Carter to explain the government money situation. His question was, "If we can pass a referendum prior to that February deadline, can we be assured that over the five or seven

year structure of this program, that we would get “x” number of dollars of government money flowing into this area.” Carter said that appropriations are on an annual basis.

Hyneman asked where the \$3.5 million the ABWEF would pledge under Proposal #2 would come from. Bryles said on the proposed budget that has been put together by the program people an assessment of \$10.00 an acre for 330,000 acres, the producer share would be \$3.3 million and the state cost share would be \$2.1 million. He asked Mike Catanach if those are the state funds that were appropriated to the Weevil Eradication Program over the past two sessions of the legislature. Catanach said that was the assumption, the \$2.1 million is the \$5.00 off of the last one when the Board made the decision to give \$5.00 back to the growers. It’s that \$5.00 and then the remaining money of the two appropriations. Bryles stated it was a one-time appropriation of contributions of state funds, public funds, and \$2,133,000. Doug Ladner said we have not received this from the state. Bryles said, “You haven’t gotten all of it”. Ladner said we haven’t gotten the \$2.5 million. He said we still have \$2.5 million outstanding. Bryles said, “But you are still getting some funds as they come along.” Ladner said they had gotten some at the first of the year, but not since then.

Hyneman said, “Assuming that the \$2.1 materializes, where is the other \$1.4 million coming from”. He asked if it was being proposed that the rest of the growers in the state come forth out of the budgets of these various zones with that money. Hyneman said he didn’t think the growers in the rest of the state would have to pay for the buffer zone. He said he thought it had been determined that the cost of any buffer zone would be borne by the people in the non-eradicated area. Bryles said he would challenge that. He said it was his understanding that producers in the northeast zone have not voted to enter into, therefore, at this point; he understands that the producers in the northeast zone would have no economic liability, at this time, to the program.

Hyneman asked if nothing is done and there is 330,000 acres of cotton that is harboring the weevil, would then that be considered a pest or a nuisance.

Carey asked how much money over-budget we spent this year for the weevils coming south. Ladner said about \$1 million will be spent in the no-fly zone and \$2.3 - \$2.6 million on the Ridge and in the northern part of the Central Zone.

Bryles said that all Board members had received a letter from Catanach, which has to do with maintaining a buffer zone. It was estimated that maintaining a buffer zone around Mississippi and eastern Craighead counties would be \$3.6 million annually. Ladner said there was a caveat to that, that it is only an estimate and the Technical Advisory Committee will develop that.

Darryl Little said he appreciates Brumley and the SEBWEF coming in with these proposals, but he thinks the Board needs to look at them in more detail, look at some budgets, and see which direction would be in all of our best interests. Little made a motion that Chairman Stratton appoint a committee, or direct someone, to enter into negotiations, and start working with SEBWEF. Then come back to this Board with more specific proposals. Hyneman seconded.

Carey asked if a referendum could be passed. David Wildy said they don't know what they can pass in the NE Delta. He said a seven-year plan would probably have a better chance of passing than a five-year program.

Cal McCastlain stated that as part of the discussion on the pending resolution it is important, given the history of all of the operations we have attempted up there, that we clarify that this process we are going through right now is coming at the request of growers out of Mississippi County. He said he would like to get that clarification today by those representatives who are present today. He said the issue is that we have dealt with what he thinks is the erroneous perception that we are up there trying to cram a program down someone's throat, and that's not the case. The worst thing that can happen to all of us is if that erroneous message gets out again. McCastlain said that he had had the benefit of another meeting and everything that he has heard has been premised on proposals and inquiries that came from growers in Mississippi and eastern Craighead counties. He said we need it on our corporate records that they are here supporting this discussion and to encourage some kind of joint effort.

Chairman Stratton asked McCastlain to read the proposal again. McCastlain said the essence of Little's motion was that the chairman appoints someone, or a committee, to represent this Foundation in further discussions with the SEBWEF, as to coming up with a preferred course of action in moving into the NE Zone.

Mark Bryles, after discussion with the representatives from the Northeast Delta, said that they support the proposal. Bryles stated that at least four cotton industry leaders from the NE Delta recommended that contacts be made with the SEBWEF.

Chairman Stratton called for a vote. The motion passed with one opposing vote.

Chairman Stratton appointed the following committee: Darryl Little, Mark Bryles, Hal Hyneman, Cal McCastlain, Don Johnson, and himself. Darryl Little will chair the committee. The committee will meet on Oct. 10 or 11.

### **NE Delta Zone Referendum**

Discussion concerning the referendum was tabled and will be addressed later when the Committee presents their report.

There were no reports from the Financial Committee or the Technical Advisory Committee. Ken Pierce reported that 165,000 weevils were found in 4,000 acres in Texas.

The meeting was adjourned at 11:40.