

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

Minutes of the September 24, 2004
Board Meeting

Arkansas State Plant Board
Little Rock, AR

Members present were Chairman Ritter Arnold, Laudies Brantley, Mark Bryles, Jack Carey, Bobby Gammill, Hal Hyneman, Trent Felton and Charles Tilmon, Jr.

Cal McCastlain, legal counsel for ABWEF; *Danny Kiser*, *Michael Catanach*, *Lane Garner* and *Lora Harvey*, ABWEF; *Mark Stoll*, ASPB; *Steve Bowlan*, ASPB; *Cecil Williams, Jr.*, Cotton Producers of Missouri; *Mary Wagoner*, ABWEF; *Terry Walker*, ASPB; *Claudette Harrod*, Arkansas Ag Aviation Association; *Timothy Johnson*, Plato Industries; *Richard and Johnnie Bransford*, Lonoke County Producers Gin; *Gene Martin*, Arkansas Farm Bureau; *Kay Van Ellen*, Mitchell Williams Law Firm and *Don Alexander*, Arkansas Agricultural Council were also present.

Chairman Arnold called the meeting to order at 10:03 a.m. Cecil Williams, Jr. led the group in prayer. Introductions followed.

Approval of the July 30, 2004 Meeting Minutes.

Mark Bryles moved to approve the minutes as amended. Hal Hyneman seconded and the motion carried.

Executive Boll Weevil Action Committee.

Jack Carey gave an update on the Boll Weevil Action Committee Meeting that took place in Memphis, TN on September 20-21. Mr. Carey stated that the Post Eradication Committee, which was originally the Quarantine Committee, examined how state eradication programs could work together in post eradication. Mr. Carey reported that he and Darryl Little were assigned to work committees and Danny Kiser was co-chair of another committee. Mr. Carey stated that his group looked at how to structure an organization to manage the entire area once we have eradicated the weevil across the cotton belt. Mr. Carey stated that in a discussion on insecticide use in eradication programs that Malathion ULV was again defined as the safest and most economical insecticide on the market.

Two areas in Texas, the Rio Grande and the Blackland's are voting in January. If these two areas do not vote the program in, our funding will be increased.

Mr. Carey stated that most states showed an increase in per-acre costs while Arkansas had a decrease, and that the National Cotton Counsel Executive Boll Weevil Action Committee had complimented the Arkansas program on its progress and cost management.

Mr. McCastlain reported that if and when the two Zones in Texas are voted in, every cotton acre

in the country would be in a program. McCastlain also stated that plaintiffs in the Northeast Delta Zone lawsuit have filed a separate proceeding for the 2004 assessments. We are waiting on a ruling on the 2003 case.

Mr. Kiser stated the cost of the Malathion ULV is estimated to increase to \$20.50 per gallon in 2005, an approximate 5% increase from this year.

Financial Report.

Mr. Lane Garner reported expenses are \$4 million under budget year to date. We are still in the process of negotiating the payment of our last insecticide purchase from Griffin. Griffin has billed us \$2 million for insecticides but we owe about \$1.1 million. We are waiting on an updated bill to resolve this matter. Once this bill is paid, we will be approximately \$3 million under budget year to date. Mr. Garner stated that Richard Sharp, with USDA, has left the FSA division to pursue other opportunities. Mr. Garner stated that he is starting a relationship with the new person who has taken Mr. Sharp's position. We have scheduled \$12.7 million in loan principal repayment for the year. We have a loan payment of approximately \$10.1 million that is due October 1st of 2004. The additional \$2.6 million budgeted is an early payment on the 6.75% debt that is not due until October 1 of 2005. If funds allow, we hope to payoff this 6.75% debt this year in order to reduce overall interest expense. The Plant Board is transferring \$5 million of assessments today. Hal Hyneman requested that Mr. Garner fax a balance sheet to all members after the meeting. Mr. Garner further stated that he had provided everyone with information on an equipment sale that was held last Saturday at our Wynne shop. The sale included old equipment that was no longer in use. After commissions and expenses, we will realize \$200,000 from this sale. Hal Hyneman asked Mr. Garner what the progress was on the Zone Income and Expense report. Mr. Garner reported that he was making progress but due to staff changes and unexpected issues it is not complete. Mr. Hyneman stated that the Plant Board Committee has asked for it and that we need to complete it before they ask again.

Legal Matters.

Mr. Castlain reported the Eagle Fish Farm suit has been postponed. Also, ABWEF has just received a complaint filed by a barge company operating on the Mississippi River, alleging that a crop duster working under contract with ABWEF intentionally sprayed crew members who were working on a barge on October 19, 2001. Mr. McCastlain also reported a schedule had been set on the North East Delta case with briefs due on October 11 and the Plant Board's brief due 30 days later. Plaintiffs will have 15 days from that date to respond. All briefs should be submitted by Thanksgiving.

TAC Update.

Mr. Kiser stated that Gus Lorenz was unable to attend this meeting due to a prior commitment and that Gus is working on scheduling a TAC Committee meeting in October. We have some issues that need to be discussed. One issue is the spraying of in-town fields in the Northeast Delta. We need to consider the economics of what is happening. Chairman Arnold asked that Mr. Kiser keep the board updated on these issues.

USDA Update.

There was not a USDA update.

Program Update.

Danny Kiser gave the program update. Mr. Kiser stated that we have finished our survey and it will be available at our next meeting. There was no reported damage in the Southeast, Southwest or Ridge Zones. In the Central Zone we found 1 weevil puncture producing .01 1% damage. In the Northeast Delta we averaged 1.35% damage in the entire area.

In the Southwest Zone, we have caught 0 weevils in the commercial cotton growing areas but are catching weevils in University test plots about 40 miles NW from where the commercial cotton is being grown. This cotton is only 15 to 20 miles from cotton in Oklahoma, which has some infestation. In 1998, we caught an average of 2.78 weevils/trap/week and in 2004 we are at 0.00, which is a 100% reduction.

In the Southeast Zone, 20 weevils were caught this week between Portland and Kelso. About 90% were caught within a few miles of the state line. Those numbers have stabilized. In 2000, we caught an average of 6.22 weevils/trap/week and in 2004 we are at 0.0027, which is a 99.96% reduction.

In the Central Zone, we are catching 500-600 weevils a week in Crittenden County. We are catching less than 100 a week in the rest of the zone. Marvell District caught 2 weevils this week. In 2000, we caught an average of 14.91 weevils/trap/week and in 2004 we are at 0.0082, which is a 99.94% reduction.

In the Ridge Zone, Clay County has the highest number. We are spraying there every week. In 2001, we caught an average of 1.45 weevils/trap/week and in 2004 we are at 0.031, which is a 97.8% reduction.

In the Delta Zone, during 2003 we caught 3.35 weevils per trap/week and in 2004 we are at 1.51 weevils, which is a 54.8% reduction. Chairman Arnold asked that Mr. Kiser stay in touch with the Missouri Program to see when they are going to stop spraying.

New Business.

Dr. Don Johnson has been asked to serve on the National Cotton Council TAC Committee, and it was recommended by Chairman Arnold that the Foundation should provide funds for travel expenses for Dr. Johnson associated with this service.

Set next meeting date.

The next meeting date was set for Friday, October 29, 2004 at 10:00 a.m. at the Arkansas State Plant Board.

With no further business the meeting adjourned at 11:28 a.m.

RITTER ARNOLD, Chairman