

ARKANSAS COTTON GROWER'S ORGANIZATION, INC.

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Minutes of the March 17, 2005
Board Meeting

Arkansas State Plant Board
Little Rock, AR

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Members present were Chairman Ritter Arnold, Laudies Brantley, Mark Bryles, Jack Carey, Bobby Gammill, Hal Hyneman, Trent Felton and Charles Tilmon, Jr. Darryl Little was not present.

Cal McCastlain, legal counsel for ABWEF; *Danny Kiser*, *Michael Catanach*, *Lane Garner*, and *Lora Harvey*, ABWEF; *Mark Stoll*, ASPB; *Cecil Williams, Jr.*, Cotton Producers of Missouri; *Mary Wagoner*, ABWEF; *Gene Martin*, Arkansas Farm Bureau; *Claudette Harrod*, AAAA; *Richard Bransford*, Lonoke County Producers Gin and *Gerald Fulbright*, ASPB were also present.

Chairman Arnold called the meeting to order at 10:02 a.m. Cecil Williams, Jr. led the group in prayer.

Approval of the March 17, 2005 Meeting Minutes.

Mr. Bobby Gammill requested the following change from *"Mr. Bobby Gammill stated that he has spoken to some growers and they stated that they cannot be successful planting beans because of the less sunlight in the city and that choices are limited"* to ***"Mr. Bobby Gammill stated that he has spoken to some growers and they stated that they cannot be successful planting beans because of the nightlight in the city and that choices are limited"***.

Mr. Laudies Brantley made a motion to approve the minutes as amended. Mr. Trent Felton seconded and the motion carried.

Financial Report:

Mr. Lane Garner stated that he has provided January and February cash flow statements. Mr. Garner stated that we do not have an approved budget yet. Mr. Garner reported that we received all of our 2005 APHIS money, which totals \$4.918 million. We have paid Griffin the \$1.3 million that was still owed to them and we will no longer do business with them. Mr. Garner stated that we do not have a balance sheet this month. Due to the audit, we have not closed out 2004. A balance sheet should be provided at the next meeting.

"Audit Report"

Mr. Garner stated that the auditors arrived last Monday and should be finished by the early part of next week and things are going great with this years audit.

Mr. Garner reported that we have been approved to borrow \$6 million for 2005 for operations until the assessment money is available. Mr. Garner stated that we would like to begin the process on that paperwork to receive the money soon. Chairman Arnold made a motion to begin the paperwork for the FSA loan. Mr. Jack Carey moved the motion and Mr. Mark Bryles seconded and the motion carried. Mr. Garner stated that the interest rate on this loan is 4.25% compared to 4% last year.

Chairman Arnold asked Mr. Garner about the basis on which we settled with Griffin. Mr. Garner stated that Griffin lost their records when they were sold and were having trouble getting accurate data. They provided us with a bill of \$3.3 million and our data showed that we had purchased only \$1.3 million. Griffin provided us with an updated invoice of \$1.3 million and closed our account.

Legal Matters.

Mr. Cal McCastlain stated that a brief has been filed in the Northeast Delta matter with no date for oral arguments. Mr. Carey asked what would happen if the Supreme Court ruled in our favor before hearing the oral arguments? Mr. McCastlain stated if everyone would accept the ruling the held assessments would be released.

We currently have some outstanding assessments that need to be pursued. The lawsuit that now is on appeal, only applies to 2003.

Other legal actions in progress include the TEKO Barge matter. This is set for trial in August and the plaintiffs are saying this is a bad date so instead we may have a trial date by the end of the year. They have completed the initial swap of discovery documents, but no depositions have been taken. Eagle Fish Farm does not have a court date set as of yet. On the honeybee drift case, everything has been answered, but nothing is moving.

TAC Update.

Mr. Danny Kiser stated that Mr. Gus Lorenz is out of town. Mr. Kiser reported that he sent Mr. Lorenz some information, which showed weevil comparisons, and town information. This information was provided to all members.

Delta Issues.

Mr. Kiser stated that we had an advisory committee meeting in the Delta a few weeks ago and had some good input. Growers that had fields in town were invited.

High Priority Fields: 113 Fields/3992 Acres

Medium Priority Fields: 53 Fields/2309 Acres

Low Priority Fields: 199 Fields/8022 Acres

Weather Problems:

- Late freeze dates
- Warmer Weather than usual
- Wetter than normal

Mr. Kiser stated that if we were to offer growers a cash incentive to plant crops other than cotton that would be equivalent to what we are spending to treat those fields it would be \$40- \$50 an acre. Some growers have responded favorably. Mr. Kiser reported that if we could reduce these high priority fields by 40% that would be good.

In 2000, we had a big weevil population and a severe freeze early in 2001. We had an 85% reduction in population in 2004. We need a good winter to get this program back in line. Mr. Trent Felton stated that other reasons for higher costs are a lack of competitive bids for Malathion, higher fuel costs, and a mild winter.

Town Fields

- 40-50% would be willing to participate in planting an alternate crop.
- TAC recommended that we treat 3 times in the spring.
- Bait Sticks will be used in these areas.
- It will cost approximately \$200,000 for 100% participation on high priorities fields.
- The growers know which fields are eligible.

Mr. Mark Stoll asked if this would be a cash payment or would it be a credit to their assessments. Mr. Hal Hyneman asked if they would have to sign a separate contract. Mr. McCastlain stated that they would sign a contract with the Plant Board. Mr. McCastlain recommended a review of an incentive program be presented to the Plant Board.

Mr. Bobby Gammill asked if there was anyway you could restrict the planting of cotton in a town area if there has not been cotton in the past couple of years. Only the fields that were cotton last year can participate.

Chairman Arnold asked the Board Members for their opinion on this matter:

Chairman Arnold: Good Idea

Mr. Hal Hyneman: Needs to be looked at

Mr. Mark Bryles: Good Idea

Mr. Bobby Gammill: Good Idea

Mr. Charles Tilmon: Good Idea

Mr. Trent Felton: Good Idea

Mr. Jack Carey: Needs to be controlled and looked at very closely

Mr. Kiser stated that a lot of the growers have been very nice and cooperative. Chairman Arnold asked Mr. Kiser to work up a proposal and include a dollar cap. Mr. Kiser reported that this proposal could be provided by the middle of next week.

Mr. Kiser stated he had a suggestion from the TAC Committee and the Advisory Committee that we needed more ground equipment. The Texas Program is selling some of their equipment such as 2 Big John High Boys with blowers that cost \$50,000 each brand new. They are willing to sell them for \$22,500 a piece. Mr. Hal Hyneman made a motion to purchase 2 Big John High Boys at \$22,500 each. Mr. Trent Felton seconded and the motion carried.

Mississippi County Budget.

Mr. Garner provided all members with budget information, including the originally approved budget for the Northeast Delta based on approved acreage, approved assessments per acre, and our expected cost for the period. Our projected budget for 2005 is deviating from **that in the five (5) year projection**. The budget does not reflect any assessment money. For 2003, we had budgeted \$10 million in expenses and our actual expenditures came in at about \$7.5 million. Mr. Kiser stated that we are expecting 330,000 acres this year. Mr. Garner stated that we projected \$4.6 million in assessments in 2004 and the actual number is going to be around \$4 million. Mr. Garner stated that Mr. Terry Walker reported that 99% of 2003 assessments have been collected. We have a projected deficit of approximately \$1.5 million for the end of 2005. Mr. Garner reported that historically the state would receive the interest on the assessment money that is in escrow. Mr. McCastlain stated that if we get a favorable ruling, he **expects** the courts would recognize the assessments **to be** defined in the Boll Weevil Act, and assessments are not state funds. The Plant Board essentially has control over the interest. Mr. McCastlain **suggested** that when we decide on a recommended figure for assessments, you **should consider** a separate line item for how much of that assessment represents an uncollectable amount. The recommendation has got to include the complete collection of that amount. The Plant Board notifies all ginners of non-payment of assessments.

Mr. Hal Hyneman stated that we need to suggest to the Plant Board that we charge \$18.68 per acre instead of \$14.00 per acre to properly fund our budget. Mr. McCastlain stated that we could only bind one year at a time. Mr. Mark Stoll stated that the assessments for the Northeast Delta Zone would go out approximately in August.

Mr. Mike Catanach provided all members with information on estimates of cost overruns from February 21, 2005. In the Central Zone, there was a 60-mile no fly zone after the 911 attacks in 2001. We could not spray during this time period. We received \$625,000 from the National Cotton Council for that specific problem.

Mr. Mark Bryles asked if the decision setting an assessment could be put off until the Supreme Court makes a decision. Mr. McCastlain stated that while there was a five-year budget given to the Plant Board, the contracts are only year-to-year. Mr. McCastlain recommended that we make a recommendation to the Plant Board by the first of next week.

Mr. Jack Carey made a motion to recommend the Plant Board that the assessment be \$18.68 an acre for the Northeast Delta in 2005. Mr. Trent Felton seconded. Mr. Mark Bryles and Mr. Bobby Gammill opposed. The motion carried.

Mr. Carey made a motion that a letter is sent to **Mr. Hawks** endorsing the Quarantine. Laudies Brantley seconded and the motion carried.

USDA Update.

There was not an USDA update.

New Business.

Mr. Kiser stated that he provided all members with information on our benefit packages. Mr. Kiser reported the Human Resources Department has recommended Met Life for our life insurance. This policy would cost the foundation \$2754.00 which will cost the employee \$1.70 per month for a \$10,000 policy. Each employee will also have the option to purchase additional life insurance at his or her own expense. Mr. Felton made a motion that we give each employee an option for \$10,000 life insurance at \$1.70 per month costing the Foundation \$2754.00 per year. Mr. Brantley seconded and the motion carried.

Set next meeting date.

The next meeting date was set for Wednesday, April 20, 2005 at 10:00 a.m. at the Arkansas State Plant Board.

With no further business, the meeting adjourned at 12:43 p.m.

RITTER ARNOLD, Chairman of the Board