Spring 2016

StaplReview



Looking Forward

Staplcotn Receives 100 Millionth Bale

A Message from the President

Looking Forward



The challenges of being a farmer today are difficult. This season prices are low, and many cotton regions experienced less than desirable yields and quality due to adverse weather. Being a cotton producer in a geographically diversified marketing pool is a strategic decision that can help mitigate some risk. We all are keenly aware of the many different weather conditions that Mother Nature sends our way. Every year produces different weather patterns, which in turn can produce very different qualities of cotton. This past season was a prime example of the varied weather conditions that can exist across our 11-state growing region. The further east you went this fall, the more rain and flooding growers experienced. This in turn meant a lower yield, but also a much higher percentage of lower grade cotton than normal. Just the opposite occurred in 2009 when we experienced excessive rains during harvest in much of the Mid-South.

When a marketing pool receives qualities of cotton different from the norm or average, many decisions have to be made concerning existing sales contracts, as well as future sales to our many diverse customers. In some cases, we have to renegotiate existing contracts and entice our textile mill customers to spin different qualities than they normally prefer. Having a large and wide range of qualities from many different areas to choose from makes our tasks more manageable and lowers the risk for all pool members.

I like to compare Staplcotn's large and diverse marketing pool to a large stock mutual fund. The larger and more diversified a fund is, the lower the risk is to the investor. Our marketing pool operates in a similar manner. This risk factor should always be considered when choosing a marketing pool to sell your cotton. This year's horrendous harvest weather in the east was terrible for our growers who lost both quality and yield. Fortunately, the negative repercussions of the weather were not felt throughout their marketing program, nor were their fellow cooperative members negatively impacted. The geographical diversification of our membership made it possible for Staplcotn's marketing team to work through the adverse quality situation without adversely affecting our overall return in our marketing pool.

Looking forward to new crop, the 2016 crop is setting up to bring more challenges. First, we are facing a cheap futures market and continued high input costs. Producing high yields is always important, but this season it is even more critical. As producers look for every way possible to cut costs and improve yields, our Staplcotn staff will be operating with the same mindset. We are always conscious of our costs and will be working harder than ever to generate the most equity possible in this low price environment.

Barring any wide-spread crop disasters, I believe that we may be in a low commodity price arena for a couple of more years as we begin to see China reduce its huge stockpile of cotton and other commodities. China is attempting to sell their reserves of commodities at the same time that the global economy is growing at a very slow rate. In other words, there is a lot more supply available to the marketplace and less demand to absorb that supply versus just a couple of years ago. China's buildup of commodity reserves has been the single greatest influence on commodity and cotton prices over the past five years. Clearly their reserve policy has proven to be more costly and cumbersome than intended, and I believe they will be reluctant to allow such massive surpluses of reserves to build up in the future. Once we see these large reserves scaled back to more normal levels, we will be in a much friendlier price environment, one in which supply and demand can be balanced without so much impact from Chinese policy. I am confident the future is bright for U.S. cotton producers once we get past the current down cycle.

I hope you all have a favorable growing season and we all look forward to brighter days ahead.

Meredith Allen



Staplcotn Reaches 100 Millionth Bale Milestone

We knew it was coming. We have been anxiously awaiting its arrival for well over a year. But exactly when, and from where, were the questions of the season. On December 18, 2015, those questions were answered. On that day, Staplcotn's 100 millionth bale of cotton to be marketed by the association was produced in Donalsonville, Georgia, by Mark Hanna of Hanna Farming Partnership and ginned by Miller County Gin Company.

Shane Stephens, Vice President of Cotton Services and Warehousing, was the person who alerted the board and the staff of this momentous occasion. "Not only was it great that we had reached the 100 million bale mark, but it was equally good that it came from such a fine person. Mark has been such a loyal member and it was especially fulfilling to let him know that it was his cotton bale that was the 'one'!"

Hanna has been a member of Staplcotn since 1995. "I joined Staplcotn as soon as they came to Georgia. I wouldn't want to be in the cotton business without them. I just don't have to worry at all about getting my cotton marketed," he said. Hanna's wife, Deanne, is a partner in his farm as is his oldest son, John. In addition to cotton, they farm peanuts, corn and soybeans. Hanna's younger son, Hudson, is a senior at Valdosta State University. Hanna added, "It's quite a thrill to have a part in Staplcotn's history!"

Meredith Allen, President and CEO of Staplcotn, remarked, "Since this 100 millionth bale is such a milestone and a testimony to the strength of the company, we opted to hold on to this one and put it on display. After all, how often does

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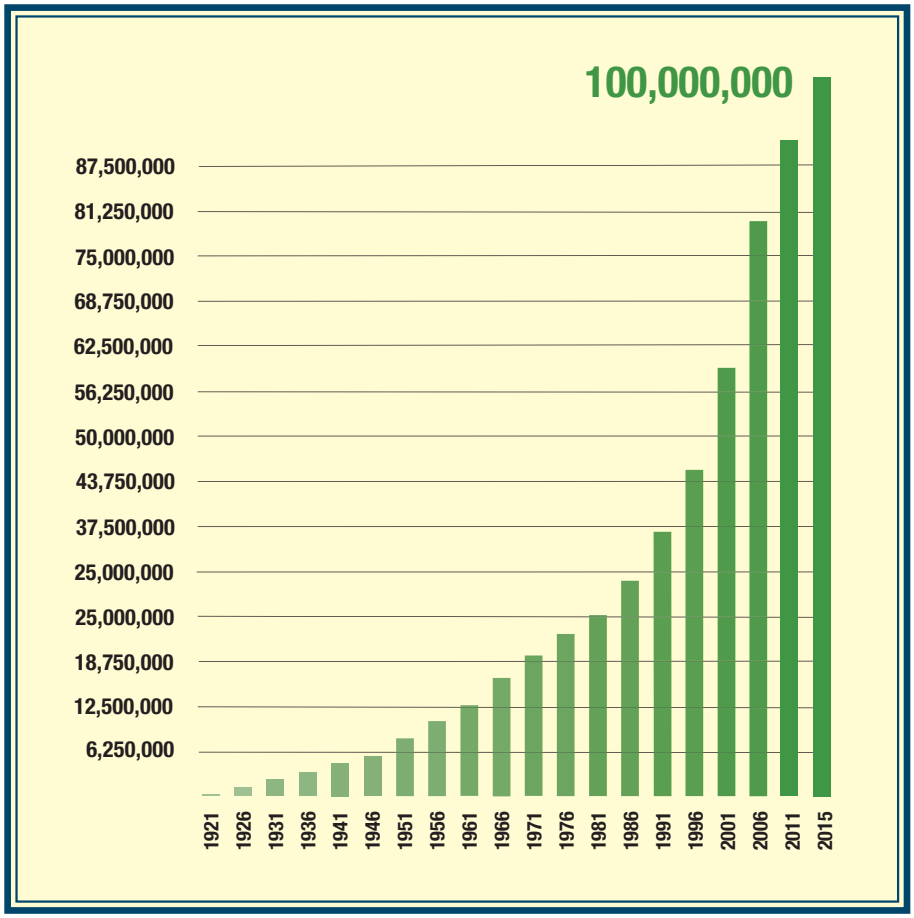
Staplcotn's Board of Directors and Officers gather for a photograph with member Mark Hanna who produced the 100 millionth bale. They are as follows: 1st row, left to right: Russell Robertson, Frederick Barrier, George LaCour, Meredith Allen, Mark Hanna, Mike Sturdivant, and Shane Stephens. 2nd Row: Mike Moffatt, Tom Dillard, David Camp, Andy Barham, Marty White, Bryan Jones, Coley Bailey, Kent Fountain, Mike Tate, Johnny Laney, Brad Williams, and Jimmy Webb. 3rd Row: Larry Gnemi, Kenny Downs, Tap Parker, Lawrence Long, Walt Corcoran, John Willis, Frank Rodgers, Sonny Davis, Larry McClendon, Stewart Weaver, Mike Newberry, and Jeff Hux. Back Row: Clay Clark, Allen Whitehead, Laudies Brantley, Bowen Flowers, Allen McLaurin, Phil Murray, and Lowry Robinson. Not Pictured: John Newcomb, Kim Rentz, and Hank Reichle.



that number come around?" During its first year of business in 1921, Staplcotn members produced 156,264 bales. Merely five years later, the total number of bales received by the association hit the one million mark. It took 40 more years for the 10 million bale milestone to be reached. "When you look at the fact that we didn't start receiving one million bales or more per year until the 1980s, getting to the 100 million mark this quickly is pretty amazing. Of course, in the early 2000s, we were receiving 3-4 million bales a year, and did so for almost 10 years, so that helped," Allen explained.

Stephens added, "As happy as we are that we have reached this benchmark in Staplcotn's timeline, I'd say that we are all just as pleased that we received the 99,999,999th as well as the 100,000,001st. We are happy for every single bale we receive and always strive to do the very best for our membership. I think that's what this particular bale represents as well."

Number of bales marketed by Staplcotn from 1921 - 2015





Mark Hanna is presented with the 100,000,000th Bale plaque by Board Chairman Mike Sturdivant III.

Stephens Elected National Cotton Council Chairman 2016

Shane Stephens, Staplcotn's Vice President of Cotton Services and Warehousing, was elected National Cotton Council chairman for 2016. Named during the NCC's annual meeting held in Dallas, Texas on February 5-7, he succeeds Sledge Taylor, a Como, Mississippi, producer and ginner.

An active industry leader, Stephens was a member of the NCC's 1994-95 Cotton Leadership Program and has served as President of the Program's alumni association. He previously served as the NCC's Vice President representing the warehouse segment from 2007-12 and served on the NCC's Board of Directors from 2001-05 and 2013-14. He has served on numerous NCC committees having chaired its Packaging and Distribution and Membership and Credentials committees. Currently the Vice President of the Cotton Growers Warehouse Association, Stephens served previously as that organization's chairman.

Stephens holds a B.S. degree with honors in agricultural economics from the University of Tennessee at Martin. He and his wife, Janet, live in Greenwood, and they have two daughters and one son. They are active members of First Baptist Church in Greenwood.



Eastland Receives A.L. Vandergriff Pioneer Award

Woods Eastland, former Staplcotn Board Chairman as well as former Staplcotn President and CEO, was honored by the Southern Cotton Ginners Association (SCGA) in February with the A.L. Vandergriff Pioneer Award for 2016. The award was named for A.L. Vandergriff, whose inventions have been recognized as revolutionizing the cotton ginning industry. This award is presented each year to an individual who has contributed to the progress of the cotton industry and U.S. agriculture.

Eastland was nominated for this honor because of his development of Staplcotn's Mill Sales Program in 1981 as well as his "stalwart leadership skills, exceptional common sense, and his keen ability to recognize employee talent," according to an article written about Eastland by Brad Robb in the Farm and Gin Show's magazine. Tim Price, Executive Vice President of SCGA, was quoted as saying, "Woods Eastland is certainly a pioneer in cotton marketing and the success of Staplcotn under his leadership is a testament to the confidence growers have placed in that organization. Because of his dedication to cotton, to its producers, and to the organization that improved the profitability of it members over decades of crops, the Southern Cotton Ginners Association is honored to name Woods Eastland the 2016 recipient of the A.L. Vandergriff Pioneer Award."



Prior to Eastland's election to the Staplcotn Board in the 1970s, very few cotton growers had ever heard of a marketing pool. Meredith Allen, Staplcotn's current President and CEO commented, "Imagine what it took for a grower to sign over his cotton—his annual livelihood, no less—to an organization, not knowing what kind of return he might get. For the leader of a company to first earn, and then maintain, that level of trust and confidence is quite an accomplishment, and it speaks volumes about the personal integrity of Woods Eastland in the eyes of so many Staplcotn grower members."

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Eastland article continued

Mike P. Sturdivant III, Staplcotn's Board Chairman, has known Eastland for many years and remarked on his ability to lead, to assess complex situations and cultivate and explain viable options or plans.

"Although soft spoken, Woods is tenacious, organized, and systematic. He leads by example, and seems to always instill in others the exemplary standard of excellence for which he, himself, is so often recognized," said Sturdivant.

Allen added, "Today, the pool marketing system has become a trademark of our company. The culture of Staplcotn is very unique, and immensely reflective of our mission statement – which in so many ways was ingrained throughout the organization by Woods Eastland."

Special thanks to Brad Robb and **Delta Farm Press** *for the use of excerpts from their article in the* **Farm and Gin Show Magazine**.



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