



THE COTTON BOARD 2015 ANNUAL REPORT

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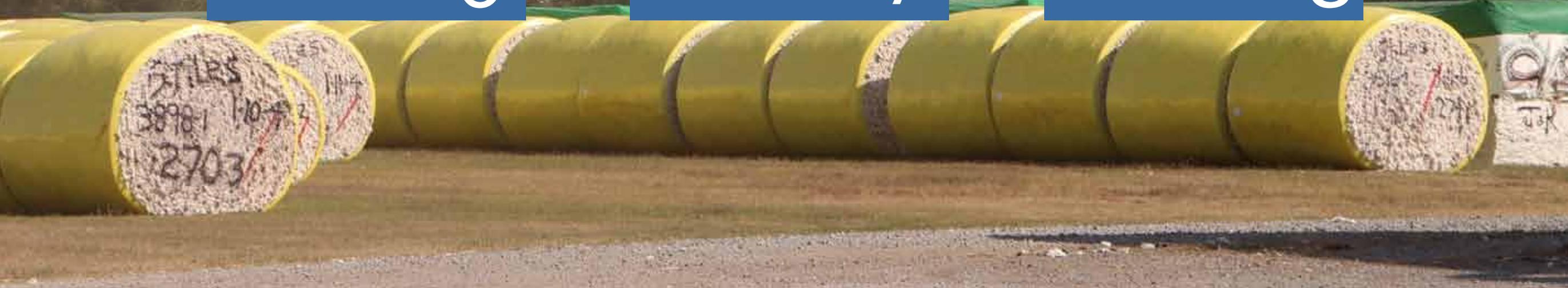
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LETTER FROM THE CHAIRMAN

AARON BARCELLOS

This annual report covers the 2015 calendar and fiscal year for The Cotton Board, the oversight and administrative arm of the Cotton Research and Promotion Program (the "Program"). The objectives of the Program are to strengthen cotton's competitive position and to maintain and expand domestic and foreign markets and uses for cotton by developing, funding, and implementing a coordinated plan of research and promotion. The Cotton Board is responsible for providing strategic leadership and oversight of the economic resources devoted to the Program. The Board's membership, consisting of key stakeholders - U.S. cotton producers and importers of cotton apparel and other cotton products - brings a broad range of industry experience and insight to the Program.

During 2015, The Cotton Board maintained a funding level of \$80 million to Cotton Incorporated despite overall declines in assessment revenue. This funding level necessitated a significant draw from reserves and led to an evaluation of longer-term funding levels (2016 and beyond) that are more in line with revenue. Reserves were established precisely to bridge annual gaps in revenue so that the Program can make long-term, predictable investments in projects and resources. Our most valuable resources are the professionals who work for Cotton Incorporated. It is important to manage our finances so that we can retain the benefit of this investment, but we cannot ignore the overall decline in revenue.

Looking ahead, I am pleased that The Cotton Board and Cotton Incorporated are structuring future budgets from the ground up, narrowing our focus, and cementing our commitment to projects and research that are more likely to turn around demand for cotton and improve margins throughout our industry. We will bring budgets closer in line with revenue and sharpen our market promotion and research efforts while ensuring we continue to generate significant returns for all stakeholders in this program.

The Cotton Board continues to maintain a strong collection rate, positive audit results, strong communication efforts, and effective reviews of Program activities. I am proud of the organization and its staff.

Cotton Incorporated and its leadership continue to pave the way for innovative answers to the task of increasing demand. We have an incredibly strong partnership with Cotton Incorporated and USDA's Agricultural Marketing Service. We could not have a successful program without the sense of unity and purpose that guides our organizations. Most importantly, I want to acknowledge The Cotton Board's many dedicated Members and Alternates for their commitment and hard work throughout this past year. Thank you for your friendship and support.

Sincerely,
Aaron Barcellos
Chairman



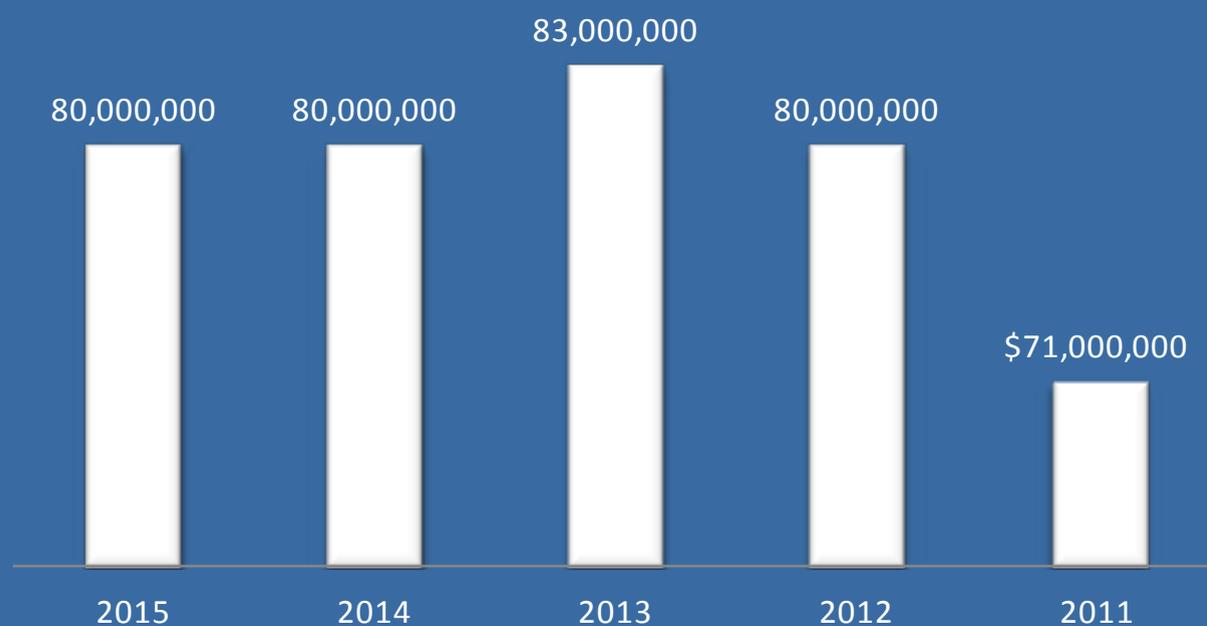
FINANCIALS

Annually, The Cotton Board analyzes assessment collections and program funding needs to in order to determine annual funding levels. At the same time, an appropriate reserve amount is also determined in order to provide funding continuity for ongoing research and promotion activities.

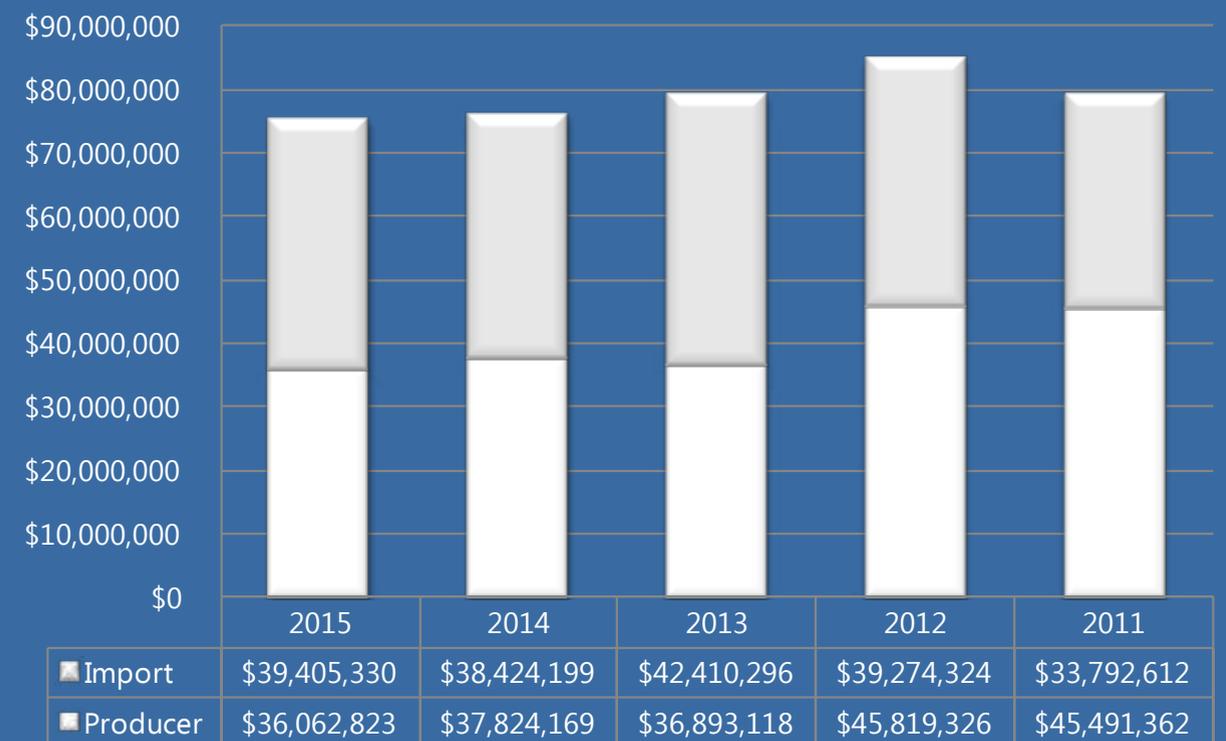
For the year ending December 31, 2015, The Cotton Board collected \$75.5 million in total assessments comprised of \$36.1 million in Producer assessments and \$39.4 million in Importer assessments. The average assessment was \$2.44 per bale. The Program's compliance rate of 99.44% continues to be among the highest of all commodity research and promotion group programs.

Looking forward to 2016 and beyond, The Cotton Board will continue to set funding levels that are fiscally responsible and fulfill the program's mission of increasing the demand for and profitability of cotton. For 2016, the funding level has been set at \$76 million.

FIVE YEAR PROGRAM FUNDING TREND



FIVE YEAR PRODUCER & IMPORTER ASSESSMENTS



**The Cotton Board Statements
of Financial Position
December 31, 2015 & 2014**

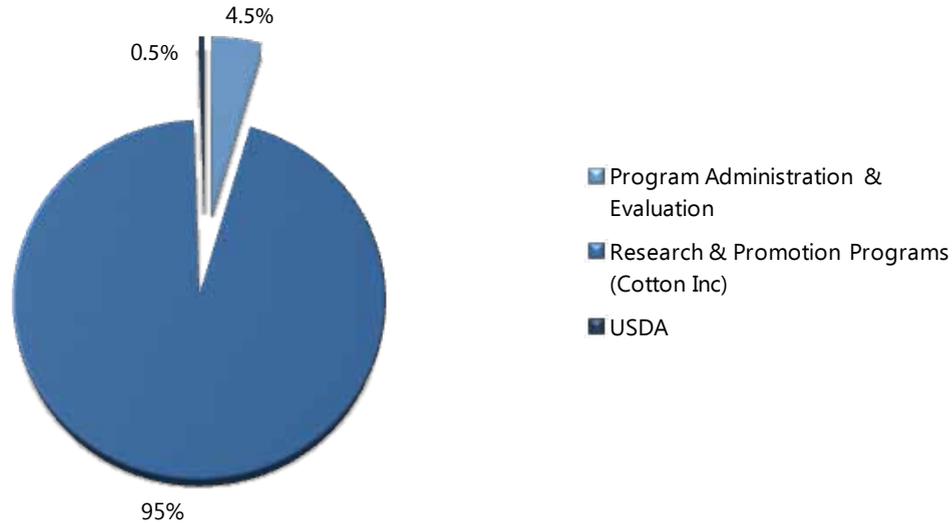
ASSETS

	2015	2014
Current assets:		
Cash	\$ 20,778,258	\$ 24,305,594
Short-term investments	28,759,131	25,599,628
Assessments receivable, net	11,729,510	14,451,517
Due from Cotton Incorporated	4,405,421	4,130,210
Prepaid expenses and other assets	61,860	108,736
Total current assets	65,734,180	68,595,685
Long-term investments	25,703,000	29,458,000
Property and equipment, net	11,013,929	11,444,041
Total assets	\$ 102,451,109	\$ 109,497,726
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 221,144	\$ 303,320
Due to Cotton Incorporated for research and promotion	6,375,660	8,376,486
State and import support funds carryover	1,705,932	1,614,663
Total current liabilities	8,302,736	10,294,469
Unrestricted net assets	94,148,373	99,203,257
Total liabilities and net assets	\$ 102,451,109	\$ 109,497,726

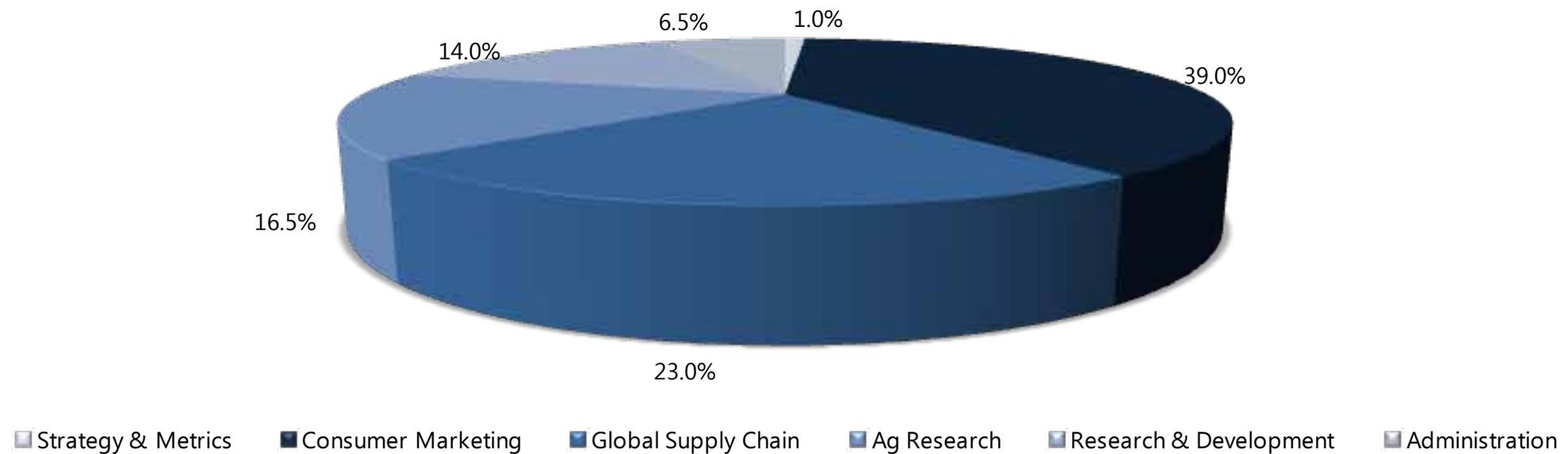
**The Cotton Board Statements
of Activities Years Ended
December 31, 2015 & 2014**

	2015	2014
Revenues:		
Domestic producer assessments	\$ 36,062,823	\$ 37,824,169
Import assessments	39,421,208	38,424,199
Less: reimbursements on import assessments	(15,878)	(132,700)
	<u>75,468,153</u>	<u>76,115,668</u>
Interest income	367,211	390,826
Imputed rent income	2,189,678	2,125,901
Other income	417,749	398,059
Total revenues	78,442,791	79,030,454
Expenses:		
Salaries and wages	1,588,011	1,747,429
Payroll taxes	102,377	115,448
Insurance and retirement	483,252	482,461
Travel - board	393,756	357,829
Travel - staff	209,376	252,383
Program evaluation	55,000	-
Training	7,221	11,572
Board development	6,066	12,767
Staff meeting	3,569	4,400
Data processing equipment	15,191	11,524
Office supplies	9,430	9,824
Reproduction of forms	4,717	5,305
Postage	9,265	10,335
Rent	81,867	81,694
Telephone/telecom	40,582	42,061
Equipment repairs and maintenance	16,342	16,050
Furniture/office machines	1,954	1,822
Professional services	42,027	42,175
Program information	391,840	314,919
Agricultural marketing services fees	232,683	216,872
Automobile	24,000	31,731
Depreciation	463,577	470,177
Miscellaneous	3,218	2,931
	<u>4,185,321</u>	<u>4,241,709</u>
Research and promotion program requests:		
Cotton research and promotion expenditures	79,312,354	79,556,915
Total expenses and research and promotion program requests	83,497,675	83,798,624
Change in net assets	(5,054,884)	(4,768,170)
Net assets at beginning of year	99,203,257	103,971,427
Net assets at end of year	\$ 94,148,373	\$ 99,203,257

COTTON BOARD EXPENDITURES



**COTTON INCORPORATED
RESEARCH & PROMOTION
EXPENDITURES**



SUSTAINABILITY.
INNOVATION.
ATHLEISURE.
MARKET DEVELOPMENT.



GUIDING THE PROGRAM

An important function of The Cotton Board is the ongoing strategic direction of the Cotton Research and Promotion Program. One way the board accomplishes this is by providing strategic recommendations to Cotton Incorporated and setting their budget for the coming year. Each year, following its March session, The Cotton Board submits to Cotton Incorporated its estimated level of funding for the coming year as well as recommendations related to the direction of the research and promotion projects to be developed and implemented on behalf of the Program. The estimated level of funding for Program Year 2016 was 76 million dollars.

TOP LINE RECOMMENDATIONS FOR PROGRAM YEAR 2016

SUSTAINABILITY - Continue to strengthen cotton's sustainability and environmental message throughout the supply chain with emphasis on the following: sustained, coordinated messaging to both consumers and supply chain decision makers; continued focus on research that reduces cotton's environmental footprint; and improving promotion of the Cotton LEADS program.

INNOVATION - Continue to pursue new opportunities for innovation in research, development and marketing - with an emphasis on expanding partnerships and accelerating speed to market of new projects and technologies.

ATHLEISURE - As this trend continues to gain ground, it is imperative that the Program/cotton respond on multiple fronts and accelerate research and development efforts to meet the comfort and performance needs of that specific market.

MARKET DEVELOPMENT - With a focus on improving market share, seek out new uses for cotton as well as competitive opportunities. In addition, expand projects and partnerships that will influence greater consumer cotton consumption globally.

PROGRAM HIGHLIGHTS

Cotton Incorporated Launches New Favorites Campaign



At a time when cotton's market share is threatened by man-made synthetic fabrics, Cotton Incorporated responded with authenticity. In mid-2015, the Consumer Marketing division at Cotton Incorporated launched a completely revamped advertising campaign, Cotton. Your Favorite for a ReasonSM. This new campaign focuses on pointing out the reasons why we love and keep wearing, our favorite cotton clothing. Cotton Incorporated conducted extensive consumer research to form this campaign, and wanted it to reflect what consumers are saying they like and want. The Favorites campaign moved away from utilizing celebrities to showcase the versatility of cotton. In fact, this campaign features real men and women telling us why cotton is their favorite, touching consumers in a highly personal and relatable way. The goal is to show how cotton makes you look and feel good, while communicating the physical benefits of the fiber; reminding consumers to check the label and shop cotton for their next favorite. The campaign includes both 30 and 15 second television commercials and also has digital components for the consumer Web site www.fabricofourlives.com.

Cotton's Natural Resource Survey

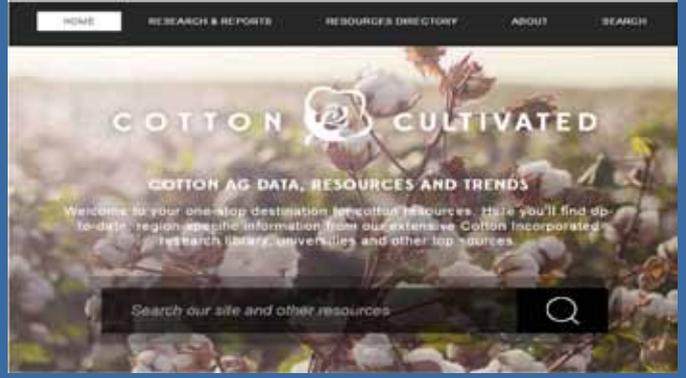


In 2015, Cotton Incorporated initiated a Natural Resource Survey to seek input from all U.S. cotton producers. It is a continuation of the effort launched in 2008 to assess production practices and provide documentation of the sustainable cotton production practices used in the United States. American cotton producers have made great strides in improving the environment of their cotton fields in the last three decades. Soil loss is down

68 percent, irrigation use is down 75 percent and energy use is down 31 percent. The Cotton Research and Promotion Program and Cotton Incorporated are dedicated to continuing this progress and are committed to promoting cotton as one of the world's most environmentally friendly fibers. The 2015 survey accomplished several objectives, including: measuring progress since 2008 and providing data to update a global cotton life cycle assessment data set. Survey results were released in late 2015 and have been released to the industry via Cotton LEADSTM.

Producer-Focused Cotton Cultivated Web Site Developed

Cotton Incorporated launched a new Web site to give the cotton-growing community quick and easy access to important cotton information. Cotton Cultivated (cottoncultivated.cottoninc.com) provides a portal that integrates Web sites, downloadable documents, social media and real-time news feeds that have been "cultivated" in an effort to reduce the time spent sort through pages of irrelevant search results. The cotton growing community has indicated that searching for and isolating cotton production information can quickly become an overwhelming task and the Cotton Cultivated site is aimed at helping users find cotton specific information as quickly and easily as possible. The homepage of the site serves as a dashboard, providing easy access to all of the site features and information including: Cotton News, Daily Monitoring, Research & Reports and a Resource Directory (see sidebar for more detailed information). There is also a Cultivated Twitter feed which follows cotton related media, research and extension experts and can be filtered by region.



COTTON BOARD HIGHLIGHTS

Cotton Board Staff Participates in Blue Jeans Go Green Build-A-Thon

In May 2015, nine members of The Cotton Board's staff traveled to New Orleans to participate in a New Orleans Area Habitat for Humanity Build-A-Thon event. The goal of the Build-A-Thon was to build 10 houses in 10 days to commemorate 10 years since Hurricanes Katrina and Rita imposed devastation on the region. The Blue Jeans Go Green™ program collected 10,000 pairs of blue jeans for this initiative and provided UltraTouch™ Denim Insulation for all 10 homes being built. The volunteers from The Cotton Board spent the day working alongside AmeriCorps and Habitat for Humanity volunteers installing insulation, framing and roofing the home. Pop Singer, Sheryl Crow, who was born and raised in the Cotton Belt state of Missouri, has been supporting the Blue Jeans Go Green™ initiative in New Orleans and led the charge asking consumers to donate their denim to the program. Sheryl Crow was on location with The Cotton Board staff at 4292 America Street in New Orleans speaking to media on behalf of the program and also helped install the recycled denim insulation.



The Cotton Board Hosts First Ever "Women in Ag" Tour of Cotton Incorporated

In June, The Cotton Board hosted their first ever "Women in Ag" tour of Cotton Incorporated as part of their annual Producer Tour Program. There were 64 tour attendees representing 16 of the U.S.'s 17 cotton-producing states. These attendees represented various segments of the cotton-growing community, including: cotton producers, ginners, crop insurance agents, farm business managers and industry relations professionals. The group heard from key leaders at Cotton Incorporated on what is being done to increase the demand for, and profitability of, cotton. And, in addition to touring the World Headquarters of Cotton Incorporated, tour attendees heard a presentation on using social media to become an advocate for agriculture from Arizona Farm Bureau's Director of Communications, Julie Murphree. They also heard from Plains Cotton Growers, Inc.'s Director of Communications and Public Affairs, Mary Jane Buerkle, on the role of Certified Producer Organizations and how they could become involved in the industry. The event ended with a tour of Syngenta's new Advanced Crop Lab greenhouses and the group heard a passionate presentation from a panel of women who work at Syngenta.



Importer Support Program Scenario Planning Identifies Three Key Strategic Initiatives

In 2015, The Cotton Board Importer Support Program (ISP) used the results from a 2014 scenario planning project to identify key priorities the committee. The scenario planning project was the result of the ISP recognizing that certain market forces were changing and having a negative affect on cotton's market share. The results of the planning led the committee to the identification of three focus areas to help drive cotton's market share. The areas identified were: increasing cotton's share in non-traditional markets (specifically non-wovens in the diaper/hygiene and automotive markets), understanding millennials connection to cotton, and sustainability messaging to our brand and retailer partners. The committee began working with outside consultants in 2015 to further explore each of these initiatives. Results from these projects are expected to be reported on in 2016.



OUR MEMBERS

2016 COTTON BOARD ROSTER

AL	Member	Walter L. Corcoran, Jr.	TX	Member	Mark D. Williams
	Alternate	Timothy J. Mullek		Alternate	Julie D. Holladay
AZ	Member	Adam S. Hatley	TX	Member	Debra R. Barrett
	Alternate	William B. Harrison		Alternate	Michael C. Popp
AR	Member	Marty E. White	VA	Member	Lance V. Everett
	Alternate	Richard B. Bransford		Alternate	M. Lewis Everett III
CA/NV	Member	Aaron A. Barcellos	IMPORTER	Member	Gary E. Ross
	Alternate	Dustin J. Mancebo		Alternate	Sally M. Gilligan
FL	Member	David J. DeFelix	IMPORTER	Member	Michael D. Wallace
	Alternate	Alan J. Edwards		Alternate	Joe D. Long
GA	Member	G. "Teel" Warbington	IMPORTER	Member	Flora Jang Wong
	Alternate	VACANT		Alternate	James C. Self, III
GA	Member	James L. Webb	IMPORTER	Member	Peter M. McGrath
	Alternate	Benjamin R. Grimsley		Alternate	Helga L. Ying
GA	Member	Benjamin O. Boyd	IMPORTER	Member	Arlene Eastwood
	Alternate	Jaclyn Dixon Ford		Alternate	Tara E. Hoffmann
KS	Member	Suzanne R. Drouhard	IMPORTER	Member	A. Mark Neuman
	Alternate	Thomas L. Lahey		Alternate	Kris T. Arabia
LA	Member	George G. LaCour, Jr.	IMPORTER	Member	Rodger C. Glaspey
	Alternate	Donna B. Winters		Alternate	Chuckie "Chuck" Ward
MS	Member	James C. Robertson, Jr.	IMPORTER	Member	Patricia M. Reber
	Alternate	Patrick L. Johnson, Jr.		Alternate	M. Dean Draughn, Jr.
MO	Member	Kim M. Mayberry-Holifield	IMPORTER	Member	Janet C. Ydavoy
	Alternate	John H. Hunter		Alternate	Catherine B. Allen
NM	Member	Dwight W. Menefee	IMPORTER	Member	Carlos Moore
	Alternate	Jack L. Joy		Alternate	Courtney O'Keefe
NC	Member	David M. Grant	IMPORTER	Member	Sonja Chapman
	Alternate	David M. Dunlow		Alternate	Akiko Inui
OK	Member	Mark Nichols	IMPORTER	Member	VACANT
	Alternate	Clint D. Abernathy		Alternate	Stefanie M. Rotta
SC	Member	Arthur W. "Whit" James	IMPORTER	Member	Debi M. Gregg
	Alternate	F. "Rusty" G. Darby, Jr.		Alternate	Pamela Y. Hunter
TN/KY	Member	Willie L. German, Jr.	IMPORTER	Member	Jack Mathews
	Alternate	Catherine S. Via		Alternate	Heidi R. Goold
TX	Member	T. Mark Hegi			
	Alternate	Bryan K. Patterson			
TX	Member	Madison "Matt" Farmer	ADVISOR		Ava L. Alcaida
	Alternate	Sigifredo "Sigi" Valverde	ADVISOR		Marshal Cohen
TX	Member	Jeffrey T. Posey	ADVISOR		Haywood E. Harrell
	Alternate	Randy L. Braden	ADVISOR		Karen E. Kylo



2016 COTTON BOARD EXECUTIVE COMMITTEE

Aaron Barcellos- Chair	Willie German - Chair, Governance
Janet Ydavoy - Vice Chair	Matt Farmer - Chair, Operations
George LaCour- Secretary	Mark Nichols - Chair, Strategic Assessment
Peter McGrath - Treasurer	Sonja Chapman - At Large Member
David Grant - Immediate Past-Chair	Jack Mathews - At Large Member



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