



# COMMENTATOR

PLAINS COTTON COOPERATIVE ASSOCIATION | WINTER 2014-15



MARKETING COTTON

HANDLED WITH CARE

HOW DO WE SHIP YOUR COTTON?

WORKING TOGETHER, SERVING TOGETHER

# COMMENTATOR

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### On the cover...

*PCCA members often work well after sunset during harvest season to get their cotton out of the field.*

*Photo by Jayci Cave*







# Cotton Prices Fall to Lowest Level in Five Years

## Outlook for 2015 Uncertain

BY JOHN JOHNSON

Cotton prices as measured by the December futures contract have fallen more than 20 cents per pound since the 2014 U.S. crop was planted. In early May, December cotton at the Intercontinental Exchange was trading in the low 80-cent range on continued drought fears in Texas and the rest of the Southwest cotton growing region, but a number of fundamental factors soon began to drive prices downward.

Conditions in the Lubbock area during the first four months of the year were the driest since 1996 with the area receiving just under an inch of total precipitation. At the time, it appeared the exceptional drought conditions were poised to continue, but significant rainfall returned to the region by late May and boosted the crop outlook. It was enough to entice market bears out of hibernation.

The U.S. Department of Agriculture raised its estimate of the U.S. crop to 16.5 million bales in July, up 1.5 million from the previous month and raised it another million bales in the August report. In September, the department cut its estimate of the U.S. crop by almost one million bales due to a reduction in planted and harvested acreage estimates and lowered it another 240,000 bales in October to 16.26 million. The November and December reports pegged the crop at 16.4 million and 15.92 million bales, respectively. The wide swings in monthly crop estimates were enough to keep traders wary and on their toes as cotton futures prices continued to fluctuate in a fairly narrow range.

The burden of enormous world carryover stocks also finally began to weigh on the cotton market. For three years, China supported its farmers by purchasing their cotton at inflated prices and placing it in a strategic reserve. Consequently, world stocks grew to more than 100 million bales with roughly 60 percent of that in China. To put that level of supply in perspective, it is almost enough for the world's textile mills to run for an entire year without purchasing a single bale of new-crop cotton.

*continued on page 2...*



# "The magnitude of any shift in global cotton acreage could eventually emerge as a factor affecting cotton prices."



*...continued from page 1*

As long as China was content to continue increasing its reserves, it appeared the world cotton trade was able to ignore the huge stockpile until policies there began to change. First, Beijing announced it would replace purchases for the strategic reserve with a target price system for its farmers. For some traders and analysts, it meant more cotton would be competing for a finite world market, thus driving prices down. However, more damaging news from China would come later in October.

In September, the adjusted world price (AWP) for cotton fell below USDA's base loan rate of 52 cents per pound for the first time since November 2009. Consequently, marketing decisions suddenly became more complex (see sidebar on next page). The following month, China dropped a bombshell.

Cotton traders were sent reeling and ICE cotton futures tumbled further in October after China's National Development and Reform Commission announced cotton imports would be limited to 4.1 million bales in 2015, the minimum required by the World Trade Organization. Furthermore, sales from China's strategic reserve would resume in March. With limited access to China, normally the world's largest importer and consumer of cotton, U.S. cotton suppliers, including PCCA, would have to procure textile customers elsewhere. More recent developments that have compounded the uncertainty surrounding the cotton market are labor disputes at U.S. West Coast ports and an anti-dumping investigation launched by Turkey's government.

U.S. cotton sold to Far East textile mills typically passes through West Coast ports, but stalled labor negotiations between the International Longshore and Warehouse Union (ILWU) and port authorities have disrupted the flow of import and export traffic.

Consequently, some U.S. cotton shippers have had to seek alternative ocean freight transportation.

Meanwhile, Turkey's announcement of an anti-dumping investigation on U.S. cotton imports has already affected U.S. sales with some contracts being cancelled due to the threat of a provisional duty. The United States supplies approximately 50 percent of Turkey's cotton imports which represent 20 percent of U.S. cotton exports. Representatives of Turkey's textile industry say they did not request the investigation and are opposing it.

As the 2014 U.S. cotton harvest was drawing to a close, attention was turning to the complex 2015 global planting outlook. According to an economic analysis from Cotton Incorporated, declining prices for commodities that can compete with cotton for planted acres could temper the "likelihood of an exodus from cotton" when planting season arrives. However, lower cotton prices could result in fewer cotton acres in certain cotton producing countries.

"The magnitude of any shift in global cotton acreage could eventually emerge as a factor affecting cotton prices," Cotton Incorporated noted. There are a number of questions for the cotton market and cotton producers to ponder. Will lower cotton prices in China enable the fiber to re-claim market share from polyester, and will cotton stocks there decline? Likewise, will the drop in crude oil prices leave consumers with enough extra money to increase their spending on apparel? There is little doubt many analysts will be anxious to see this Christmas season's shopping results. 🌱





Photo by Taylor Hurst



Photo by Jayci Cane

## Making the Right Marketing Decision

Marketing decisions became much more complex in September 2014 for producers who do not deliver their cotton to a marketing pool. That was when the adjusted world price (AWP) fell below the CCC base loan rate of 52 cents per pound for the first time since November 2009.

The AWP is calculated weekly by USDA based on CFR Far East quotations, adjusted to reflect quality differentials and an "average cost to market." The quality adjustment is derived from the loan difference between Middling 1-3/32" and Strict Low Middling 1-1/16". The "average cost to market" is determined by using values provided to USDA by cotton shippers, and the department has fixed the cost at 16.39 cents until further notice. The AWP is announced each Thursday at 3:00 p.m. CDT, and becomes effective at midnight that night and is effective through the following Thursday.

When the AWP falls below the 52-cent loan rate, it creates a Marketing Loan Gain (MLG) or Loan Deficiency Payment (LDP). The initial MLG/LDP in September was 2.73 cents and grew to 5.88 cents the week of Nov. 24. With this scenario, non-pool farmers have two choices if they are using the marketing assistance loan program.

One choice would be to place their cotton in the CCC loan program and sell the loan equities, and the resulting equity check to the producer takes into consideration the forgiven principal (MLG), interest and storage. The other option would be to sell at the market price and receive an LDP. Either choice would give the producer about the same financial performance assuming the trades occur in the same week and at the same sale price. Marketing the loan equities does result in a better final result due to the additional forgiveness in storage charges. This, however, can be problematic.

Both MLGs and LDPs are subject to the \$125,000 payment limit under the 2014 Farm Bill. When producers sell loan cotton for an equity, they lose control over when the cotton is redeemed from the loan and at what AWP level. Thus, they have no way of knowing or controlling their payment limit.

Producers who choose to sell their cotton without using the loan and receive the LDP prior to transferring title to the cotton can better control when to collect the LDP and at what price level to better manage the payment limit, but they forgo the benefit of the forgiven storage if they had marketed their loan equities. Making the right decision requires day-to-day monitoring of a number of market factors; however, producers can avoid such complexities by signing into PCCA's marketing pool and let the pool manage the loan and LDP benefits. The month of March is the sign-in period for the 2015 West Texas/Oklahoma/Kansas pool. It should be noted that payments received under the Farm Bill's ARC and PLC programs for other commodities also count against the payment limit.

Another complication is the adjusted gross income (AGI) means test in the Farm Bill. To be eligible for MLGs/LDPs, the AGI of a person, legal entity, or member of a legal entity must not exceed an average of \$900,000 annually during 2010, 2011, and 2012. 🌱



# Marketing COTTON

## Getting the Best Possible Price for Our Members' Cotton

By John Johnson | Photo By Jayci Cave

Selling cotton is not as simple as it may seem. It is a complex and detail-oriented process, much like an airline pilot's pre-flight checklist. At PCCA, selling members' cotton is all about getting the best possible price, ensuring profitability on each sale and managing risk.

Almost every workday begins with a meeting of the marketing staff to review and discuss inquiries, the previous day's sales, current cotton prices, and government reports. Daily newsletters and comments by private market analysts also are reviewed to determine the market environment for that day.

Preparing the pool cotton to be delivered to PCCA is an involved process managed by the cooperative gins and assisted by PCCA's Grower Services Department (see related story on page 12). When the bales are invoiced by the local coop gins, the cotton then appears in the Marketing Department's inventory the next morning.

"In the middle of the harvest season, we may receive invoices for 30,000 to 35,000 bales overnight," says PCCA Director of Sales Grady Martin, "and on occasion we have received as many as 60,000." The bales then are segregated according to sales commitments, types of sales, whether the cotton is in the loan or not, delivery period, and quality.

"It may take three to four hours for three members of our marketing staff to segregate the cotton into recaps," says Chris Ford, Domestic Sales Manager. "We look at each bale and decide where it needs to go." At PCCA, cotton is marketed via three types of sales.

An equity sale can be made to a cotton merchant prior to harvest for a specified number of bales at a fixed equity above the loan value. Upon receipt of the cotton, PCCA places it in the CCC loan program, receives the equity payment and transfers the option to redeem the cotton to the merchant who will ultimately decide when the CCC loan is repaid.

Another type of sale is for a fixed price where PCCA collects the full cash value at the time of invoice for cotton not in the CCC loan. The third type of sale is an unfixed on-call transaction usually made directly with textile mills. PCCA fixes the basis (value) above or below a specific cotton futures contract, and the buyer chooses the futures price when it reaches the desired level to complete the transaction. To manage its risk, PCCA offsets these sales by selling futures contracts. Each type of sale can be based on specific qualities or on an "average of the crop" which allows merchants to build up an inventory they can sell to mills at a later date.

Selling PCCA members' cotton may begin months before the crop is planted as staff seeks to take advantage of prevailing price levels and guarantee profits in a highly competitive world market. Due to the potential impact of weather on cotton yields and quality, forward sales are

carefully managed and are the first to be filled when bales are invoiced. After forward sales are filled, the marketing staff begins sending recaps to its commissioned agents around the world.

"We send our recaps and offers to approximately 20 to 25 of our agents each day at 5:00 p.m.," Martin explains, "and they forward those to textile mills in their countries." The recaps are compiled based on knowledge about each mill's quality requirements for the types of yarn they are spinning. Thus, the opportunity to complete a sale is enhanced. Since the agents receive a commission on each sale, PCCA has no overhead expenses for salaries, office rental, etc.

Frequently, foreign mills will evaluate PCCA's offers and recaps and begin negotiating the price, delivery period or quality by returning a bid via the cooperative's agents. Due to time zone differences, bids or inquiries may be received at any time, day or night, according to PCCA's Export Sales Manager Carlos Garcia.

"Most negotiations with customers in Latin America occur during normal business hours," Garcia explains, "and we usually communicate with Turkish customers during early morning hours here in Lubbock." Negotiations with Far East customers, on the other hand, typically happen after PCCA's business hours.

"Our agents and customers in the Far East usually try to communicate with us between 7:00 and 10:00 p.m.," Garcia says. "As a courtesy, they try to do it before 8:00 p.m.," he adds. "Dur-





*PCCA employees in their daily morning meeting, clockwise from head of the table: Lonnie Winters, Kelby Hunt, Morgan Hood, Grady Martin, Carlos Garcia, Taylor Hurst, Chris Ford, Linda Frost, Mike Canale, Tanner Streety, David Canale, Melanie Beauchamp, Rick Shepherd, Ken Spain and Dick Cooper.*

**“During the busiest time of the season, we may hear from agents or customers two to three times per night, and sometimes it can be at 2:00 a.m.”**

ing the busiest time of the season, we may hear from agents or customers two to three times per night, and sometimes it can be at 2:00 a.m.” Consequently, Garcia keeps his cell phone and lap top computer at his bedside to log into PCCA’s systems when he receives a bid or inquiry. In addition to export sales, PCCA maintains a merchandising program, a feature upon which the cooperative was founded in 1953.

Merchandise Manager Mike Canale focuses his efforts almost entirely on The Seam to buy cotton from members who use the online system to market their crops. Because Canale competes with up to 100 registered buyers on The Seam’s system, he must pay a competitive price while looking for opportunities to combine the cotton into lots that are more attractive to other buyers and will command a higher price. Thus, the merchandising program generates additional revenue that can be paid as a dividend to non-pool PCCA members. It also provides market information to help members selling their cotton on The Seam to offer their cotton at the best possible price. Meanwhile, the price information can be used by the rest of PCCA’s sales staff as they send offers to domestic and foreign customers.

Once Canale completes a transaction on The Seam, he notifies Sales Administrator Ken Spain who executes cotton futures orders to hedge PCCA’s position and manage market risk in order to obtain the most return in members’ equities.

“When Mike buys cotton on The Seam, I call one of our brokers to sell futures and hedge the position,” Spain says, “and when he sells the cotton, we buy back the futures.” Spain uses the services of several brokers to maintain confidentiality of PCCA’s marketing strategies. At the height of the season, he may call brokers six to seven times per day. He also executes sales and purchases of futures options to hedge pool sales. Thus, he may have to execute the orders at night when export sales are made to Far East customers.

“After business hours, I always have my iPad with me because the futures market opens at 8:00 p.m. central time,” he says. Spain’s other duties include updating the adjusted world price on PCCA’s system and sharing other market information via Grower Services for members who sell their cotton on The Seam. He also prepares monthly futures reports for the cooperative’s Accounting Department and sends required export sales and shipment reports to the U.S. Department of Agriculture.

After each export sale is negotiated, a contract is written and sent to the appropriate agent after it is reviewed by seven members of the Marketing Department staff to ensure accuracy. Any mistakes can result in penalties that impact the profitability of the sale. The contract specifies:

Sale Number	Weight terms
Number of bales	Contract terms
Growth and crop year	Destination
Quality	Shipment
Rules and arbitration	Payment
Price	Remarks

Marketing millions of bales of cotton produced by PCCA members each year is a daunting, time consuming task. It takes a dedicated team of skilled professionals studying the market on a daily basis, negotiating with customers, and managing market risks. The logistics of shipping cotton to customers is another critical factor in marketing. At PCCA, this function is performed by the Traffic and Invoicing Department (see related story on page 10).

“Everything we do is focused on getting the best possible price and adding value to PCCA members’ cotton,” says Vice President of Marketing Lonnie Winters. “It is the reason this cooperative was founded, and we never lose sight of that.” 🌱



# HANDL



## Adding Value to Members' Cotton

Preserving the quality of the cotton, shipping it in a timely manner, and striving for efficiency are always a top priority for Plains Cotton Cooperative Association's Warehouse Division. This season, it is estimated that the division will receive approximately 950,000 bales. Each bale the division receives is handled with care to ensure members get the best value for their cotton.

The Warehouse Division was established in 1963 to help add value to members' cotton. Today, there are PCCA warehouses in Texas, Oklahoma and Kansas. The division's employees at each location pay special attention during every step of the process to ensure accuracy and efficiency.

"I think we add value to our members' cotton by keeping it in good condition and being able to ship it out timely," says Danny Helms, Warehousing South Regional Manager. "We strive to operate as efficiently as possible in order to pay back a good dividend to our members." PCCA's Warehouse Division created the first online interactive scheduling tool in 2005 in response to industry requests, and it is still the best in the industry.

After cotton is ginned, the bales are sent to the warehouse. Once it arrives at the facility, each bale is put into rows in a warehouse building. For every load the warehouse receives, the weight that the gin entered



# ED WITH CARE

STORY AND PHOTOS BY JAYCI CAVE



on the scale ticket is checked to verify that the weights are accurate. Moisture content also is tested to make sure that it meets acceptable levels, and bale condition is observed. Once all of the cotton is placed in a row, each bale tag is scanned in order to identify the location of the individual bale. After receiving a shipping order, a list is printed out with all of the bales to be included in that order. This list shows the location of the bales, and a machine operator is sent to get the bales and relocate them to a shipping building where the truck will come to pick up the shipment. While the bales are being staged for shipping, each bale is scanned, and it will show in the warehouse program that the order is ready for pick up. Each bale is scanned again as they are loaded onto the truck to ensure that the correct bales for that order are the ones being loaded.

The Warehouse Division has a committee of nine members to assist with decision-making and serve in an advisory capacity to the PCCA Board of Directors on items such as capital expenditures and tariff changes. Currently, Larry

Williams, from Central Rolling Plains Coop, is the chairman.

"The committee must make sure the division has the proper resources to receive and ship crops that vary drastically in size, safely and efficiently," says Jay Cowart, Vice President of Warehouse Operations.

PCCA's Warehouse Division also faces its fair share of challenges. There are daily issues of facing the unknowns such as how much cotton will be received and how fast will it need to be shipped. Helms says that on top of the normal challenges, this year a labor shortage has become a prominent issue.

"Because of the pressure from the oil business and wind energy, we have had to look to temporary employment agencies and a migrant worker program called H2A to fill the needed positions," Helms says. "Randy Squires in Altus has worked hard to cover all the requirements for this program, and this is our first season to use H2A employees." Cowart says they are always working hard to deliver a "grade A" quality bale in a timely fashion.

"We strive to provide excellent service to our members' gins and merchant customers. We also relentlessly pursue efficiencies and try to provide an enjoyable and safe workplace for our employees," Cowart says.

Both Cowart and Helms agree that the division's hard working employees are the ones that make PCCA's Warehouse Division stand out.

"There are a lot of very experienced and very dedicated employees who are receptive to pursuing innovative and more efficient ways of doing the job," Cowart says.

Helms says that each employee plays a special role in helping make this operation work successfully.

"The Warehouse Division is very fortunate to have great employees, and each employee and his or her duties are just as important as the next," Helms says. "Everyone pitches in to help when the time comes. It takes a team effort for all aspects of warehousing to go smoothly." 🌱





PCCA's Debbie Bolding and John Duncan work together to help a gin.

# Information Systems Supports All PCCA Divisions and Local Gins





As a cooperative, PCCA's mission is to add significant value to the cotton marketed for its members by being the supplier of choice to our business partners in terms of quality, service and value. Each employee at PCCA plays a special role in making this possible.

The Information Systems (IS) Department works to ensure that every division of PCCA has the technology they need. Along with this, they make sure the gins have the programs and technology necessary to make their jobs easier. Recently, this has included developing programs for scale capture and module tracking.

Scale capture is gin software for call-in, ginning list, turnout adjustment, and scale ticket upload while module tracking allows the gin personnel to track the modules from the field to ginning. John Duncan, AP Systems/Analyst, says that a majority of what he does on a day-to-day basis is related to the gins.

"We develop programs so the gins can monitor the ginning and do the marketing for the producers," Duncan says. "We try to make that as easy for them as possible. We know their lives are really busy, especially in ginning season, so we make those things they need to get done be quick and easy."

Not only does the IS staff work to develop new software, they are constantly working to improve existing programs and resolve any problems as soon as possible, and they always try to make enhancements based on the gins' recommendations. Grower Services and Marketing Communications play a large role in helping communicate the concerns or suggestions from the gins to the IS Department. Even the newest program, module tracking, has a list of enhancements because the gins provided suggestions on how to make it more efficient.

Duncan says he thinks the departments' willingness to help the gins reflects positively on PCCA because they know that PCCA is here to help them. The main goal for Duncan and his co-workers is to help the gins' workflow run smoothly.

"We want to enhance their abilities, and we don't want to get in the way of doing their jobs," Duncan says.

Debbie Bolding, AP Systems/Analyst Manager, says the department is there to help make gin operations run smoothly no matter what time of the day. The IS Department rotates staff members in order to have a programmer on call every day of the year to offer gins "24-7" assistance should they need help.

"It is very rewarding to help the gins by developing new software that helps them do their jobs more efficiently and effectively," Bolding says. "Our jobs are to help the gins and their members market their cotton and get the most value." 🌱

"It is very rewarding to help the gins by developing new software that helps them do their jobs more efficiently and effectively."

Story By Jayci Cave





# How Do We SHIP

## Your Cotton?

STORY AND PHOTO  
BY TAYLOR WORD

The Traffic and Invoicing Department at Plains Cotton Cooperative Association is a dedicated team full of experienced individuals who work together to achieve the goal of being the world's cotton supplier of choice. With 90 years of combined experience among seven employees, the Traffic and Invoicing staff successfully ships and invoices cotton quickly and efficiently.

PCCA's Sales Department carefully markets cotton in order to maximize the value to PCCA members. These marketing outlets include sales to merchants, foreign textile mills and domestic mills. Once the cotton is sold, the Traffic and Invoicing Department prepares the invoices for each sale in accordance with the terms for each transaction.

Export sales require the most extensive work as the team must carefully coordinate scheduling with cotton warehouses, inland truckers, rail lines, ocean carriers, freight forwarders, port warehouses, the United States Department of Agriculture, the Chamber of Commerce, and international trade banks in order to ship the cotton and prepare the invoices for payment in a timely and accurate manner, according to Rick Shepherd, Traffic and Invoicing Manager. He says PCCA exports cotton to approximately 10 to 15 different countries each season, and the busiest time for department personnel is from November through April when the majority of PCCA cotton is exported.

The department works closely with PCCA sales and shipping departments each season. During the active selling and shipping period, Toby Teichelman, Export Supervisor, contacts cotton warehouses to determine the next available ready dates for loading cotton at each location. This information is summarized and sent to the sales department several times each week to keep them informed as to when cotton can be readied for shipment at each warehouse location.

The Sales Department corresponds with commissioned sales agents in the various cotton consuming countries around the world, and export sales are made through these foreign agents. Once an export sale is confirmed, Teichelman and Kristen Tasker, Logistics Manager in Traffic and Invoicing, review the transaction and prepare a quantity summary report of the bales and weights that have been sold. This information is used to prepare the contract for the export sale which is sent to the foreign sales agent for the buyer to complete. As part of this process, the Traffic and Invoicing Department works with the shipping department to ensure the cotton is applied in a manner to minimize the number of locations per truck/container

load and to be sure the weights per truck/container do not exceed limits.

After the completion of the quantity summary report, Tammi Chock, Documentation Manager, completes a proforma invoice for the sale. The completed proforma invoice is sent to the sales agent which summarizes the export sales to foreign buyers including the number of bales, weights, and invoice value for the transaction. The foreign buyers use the invoice to make financial arrangements for opening letters of credit or submitting down payments depending on the destination and sales terms.

After the cotton is applied to the sale, Tasker creates an Early Shipping Order (ESO) that is sent to the warehouse, securing a ready date at the cotton warehouse. The ESO also allows PCCA to leave the cotton in the CCC loan program. The cotton is later redeemed from the loan prior to the ready dates which enables PCCA to take advantage of more favorable Adjusted World Price levels that may be available prior to shipment.

Tasker then schedules a reservation, also called a booking, with an ocean carrier on a vessel sailing to the destination of the export sale. She makes the booking based on a shipping schedule with the ocean carrier that corresponds to the ready dates at the interior cotton warehouses. An inland carrier is then selected to move the cotton in "over-the-road" trucks to port warehouses or in containers to





*The Traffic and Invoicing Department employees, from left to right: Jackie Lynn, MacKenzie Fletcher, Toby Teichelman, Kristen Tasker, Zac Hurley, Tammi Chock, Rick Shepherd and Karri Pruser*

be returned to the rail line for movement to the West Coast for export.

After these shipping arrangements have been finalized, Tasker sends the foreign sales agent a sailing schedule which indicates the ocean carrier that will transport the cotton, the sailing date and the arrival date. This establishes the time frame in which the foreign buyer must open any letters of credit or send down payments prior to the shipment schedule.

A letter of credit is an instrument of financing that deals with paperwork used for international transactions guaranteeing payment to PCCA for the shipment. On letter of credit transactions, the foreign buyer makes arrangements at an international trade bank in their country and then it is transferred to PCCA's selected bank. Chock and Teichelman audit the letter of credit for accuracy and compliance with the sales contract. If any changes in the letter of credit are required, the revisions are sent to PCCA's foreign sales agent for the buyer to amend.

Upon finalization of financial arrangements by the foreign buyer, the shipment is released to inland truckers for loading and movement to the ocean carriers for export. A "booking packet" is then created and distributed to Karri Pruser and/or MacKenzie Fletcher, Export Documentation Specialists in the Traffic and Invoicing Department. The booking packet contains a complete history of the sale as well as the documentation requirements necessary for preparing the invoice for payment. Pruser and Fletcher prepare required shipment documents and are responsible for communicating with the foreign sales agent regarding the status of the shipment. Documents issued by third parties require extra precautions to ensure they are issued in a timely and accurate manner.

According to Shepherd, PCCA must comply with advance manifest requirements from various countries prior to departure from the United States. These regulations require PCCA to transmit shipment details which include up to 16 data elements about the shipment. These data elements include the name and address of the shipper and foreign buyer,

sailing details, complete description of the commodity being shipped, as well as container and seal numbers. All the data elements must be transmitted to the U.S. Census Bureau and the ocean carrier prior to the containers being loaded on the vessel. Shepherd says these requirements narrow the window for returning the loaded containers and decrease the number of containers loaded onto a single vessel due to time constraints.

Cost accruals for each shipment give details regarding fees billed to PCCA from various vendors involved in shipping cotton. Freight Audit and Domestic Invoicing Coordinator Jackie Lynn and Tasker carefully audit each invoice sent to PCCA from the vendors for services performed, and then they are sent to PCCA's Accounting Department for timely payment to the vendors.

Other issues facing the department this season are truck driver shortages, West Coast labor negotiations and congestion in the Los Angeles/Long Beach, California ports, Shepherd adds.

Shepherd explains there are financial consequences if all requirements are not met, and PCCA's Information Systems (IS) Department will send them alerts to help prevent any issues with the shipments. He is quick to praise the systems that have been written by the IS Department.

"PCCA has one of the most knowledgeable IS staffs in the cotton industry," Shepherd says. "The programs they have written enable us to ship and invoice our sales efficiently, accurately, and timely so that PCCA can be paid as soon as possible after the cotton has been shipped."

Shepherd says the main focus in the Traffic and Invoicing Department is to add value to PCCA members' cotton by ensuring the cotton is shipped by the most cost effective methods and the cotton is invoiced accurately and timely.

"We take pride in the work we do and will do whatever it takes to get the job done," Shepherd says. 🌱



# Working Together, *Serving Together*

Answering phone calls, distributing checks, training new gin employees, printing government tax forms, and troubleshooting problems are among the many things two of the departments at Plains Cotton Cooperative Association deal with on a daily basis. Together, Grower Services and Gin Bookkeeping play a large role in the success of the cooperative.

The two departments work closely with each other because they share a similar goal, to help PCCA members and gins market their cotton and complete their day-to-day activities as easily as possible.

"We have the same customer base as Grower Services," says Steven White, Director of Gin Bookkeeping Services. "Everything we do flows through the same system, and if there are changes at the gin, we all need to know about it."

Each year, Grower Services, Gin Bookkeeping and Marketing Communications collaborate to conduct an Agent School for all gin personnel. This gives gin employees the opportunity to learn about updates to PCCA's system and bond with PCCA employees. If necessary, additional one-day workshops are held to update the gins on new policies or changes to the process.



*Story and Photos By Jayci Cave*

*Vicki Dorris works diligently to ensure that all members' paperwork is filed correctly.*





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## Grower Services

The Grower Services Department at PCCA is responsible for helping members make sure that they have all the correct paperwork and information on file before it is time to market the cotton. This includes overseeing Pool Sign In/Sign Out each year. They also collect pool marketing agreements for all members who choose to market their cotton in the pool. Members who market their cotton on The Seam must sign membership agreements.

During the summer, eligibility consumes a large portion of staff time. Each gin must work on their members' eligibility before any cotton is delivered. This requires members to have everything signed correctly through the Farm Services Agency with correct farm numbers and payees. Grower Services will help the gins to know what issues, if any, need to be resolved.

The department also spends a substantial amount of time troubleshooting issues over the phone. This could be anything from problems with eligibility to issues with the Gin Services system to questions about checks or government tax forms.

"We handle all the gin calls with respect to the invoicing and marketing of the cotton," says Vicki Dorris, PCCA's General Counsel and Director of Grower Services. "If you come here during the season, you are unlikely to find someone who is not on the phone. During the season, we spend 90 percent of our day either receiving phone calls or calling someone back."

The Information Systems (IS) Department at PCCA has facilitated the process by making it possible for Grower Services to help gin personnel from a mobile device. Dorris says this allows staff to help the gins during evenings and on weekends without having to be in the office. She also says having an in-house IS department helps her department be able to resolve any issues in a timely manner. Grower Services helps facilitate the sale of members' cotton on The Seam. If any problems arise, The Seam will contact Grower Services for help resolving the issue.

"We are the gateway between The Seam and the gins. The gins put the cotton on The Seam through our system," says Dorris. "If The Seam has issues, they call us."

After the cotton is invoiced, Grower Services is responsible for printing and delivering the checks for all cotton marketed through The Seam and the pool. Each morning, checks are printed and separated by gin code to be delivered to the specific gin as opposed to sending them to each individual member.

They also are in charge of handling and sending out progress payments for both of PCCA's marketing pools. Progress payments have to be run manually in the system. In addition to progress payments, Grower Services handles all PCCA dividends for the pool, marketing and warehouse divisions as well as stock retirements. These checks go directly to the members. If a member wants to defer a check for tax reasons, this department is responsible for holding the checks until they can be released, normally on New Year's Day. In the 2013-2014 fiscal year, the department distributed 12,938 dividend checks, 15,832 retirement checks and 4,934 base capital retirement checks.

"For PCCA members, all the money goes through our department," Dorris says. "Probably the only other department that handles this amount of money is the Accounting Department."

Along with distributing checks, the department is responsible for distributing 1099 PATRs to every member who received a dividend check from PCCA. Grower Services also distributes section 199 deduction notices to producers. This is an income tax deduction they get for marketing their cotton through the cooperative. Dealing with issues regarding bankruptcy and backup withholding also are the responsibility of Grower Services. From April to June, staff spends time working with gin personnel on audits, specifically the dividend audit and the pool audit to resolve any issues.

With the new farm bill and the current cotton market, Grower Services also handles issues regarding Loan Deficiency Payments and Adjusted Gross Income. Both of these could affect how PCCA members market their cotton and receive their checks.

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*Steven White and Corey Smyth work together on the accounting system.*



*“Keeping up with technology is a constant effort because everything changes so fast.”*

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## *Gin Bookkeeping*

One of Gin Bookkeeping's (GBK) major tasks includes supporting multiple PCCA systems such as the gin accounting system and the gin services system. The GBK system is one of the services PCCA offers to gins. Essentially, it is a full-service accounting program which is able to process accounts receivable, accounts payable, inventory control, payroll, fuel program, and financial reporting. As a part of supporting these systems, employees in the Gin Bookkeeping Department are available to assist the gins in using this software and to train new gin employees as they are hired.

On a weekly basis, the four employees in the Gin Bookkeeping Department talk to approximately 50 or 60 different gins to help them with various issues. White says they spend a lot of time training employees and attempting to keep up with changes in the technology.

“Keeping up with technology is a constant effort because everything changes so fast,” White says. “Once you get a new system in place and everyone trained, it seems there is a new system out there.”

During the season, scale ticket assistance and supporting module tracking and scale capture keep staff busy. Scale capture is gin software for call-in, ginning list, turnout adjustment, and scale ticket upload, while module tracking allows the gin personnel to track the modules from field to ginning.

Like Grower Services, Gin Bookkeeping also will help conduct audits in the summer. However, they help the gins get all the information required for their gin audit, and this requires a lot of work in the accounting system.

“We will help them get ready for their yearly audit,” White says. “After they are audited, hopefully they made a profit and will need to issue gin dividends. So, one of the services we provide to the gin is printing those checks and reports for them.”

Along with printing the dividend checks, Gin Bookkeeping will print the 1099 PATR form that will come with them from the gin at the end of the year. They also print W-2 forms from payroll for every gin that uses the GBK system.

“We work with our Accounting Department,” White says, “because we bill the gins annually for our products.” After harvest, Gin Bookkeeping works with PCCA's Accounting Department to bill the gin for using the GBK system, the scale ticket program, scale capture, and module tracking.

“We stay valuable to our members because most of the bookkeeping the gins do, they do for their members, and their members are our members,” White says. “If we can make the bookkeeping, accounting and the flow of information go smoothly at the gin, then that is where our membership will benefit the most from our support of the gins.” 🍷



# Following his Father's Footsteps

Story and Photo  
By Taylor Word

**L**ocated seven miles south of Plainview, Texas, sits a 1,400-acre farm that is a true representation of dedication and family. Mark True is a farmer that follows in his father's footsteps with a commitment to farming as a lifestyle. He was elected to PCCA's Board of Directors at the cooperative's 61st annual Membership Meeting in September, giving him another opportunity to continue his father's legacy.

Mark replaced his late father, Riley True, who served on PCCA's Board of Directors for 25 years. Riley was known for his selflessness and commitment to being an advocate for agriculture. Mark says his father was someone who would be willing to help anyone without thinking twice about whether or not they could repay him.

"One of the things I've admired about that generation is the total commitment to what they chose to do, and I was always raised with the idea that farming is not an occupation, it is a way of life," Mark says.

He grew up on the family farm and has been growing cotton, millet, seed milo and wheat for more than 28 years. During that time, he learned valuable lessons from his father about both farming and life in general. Mark says that his father and uncle, S.M. True, were his mentors when learning the business. Riley and S.M. did not share the same land but shared a barn and helped each other whenever necessary. Mark bought land from S.M. after S.M. began work at the Texas Farm Bureau.

Mark and his wife Mary have two children. Kaitlyn is the oldest and a newlywed currently residing in Pampa, Texas. Kristen is attending Texas Tech University (TTU) as a junior majoring in Animal Science. As a TTU graduate himself, Mark says it is where he got his first opportunity to test his leadership skills.

"The Agricultural Student Council gave me an opportunity to be the president, and I have been blessed by the people and still have friends that I continue to enjoy," Mark says. "It gave me a foundation to build on and a whole wealth of people to associate with."

Mark currently is a member of the Ag Producers Coop Gin. He also serves as the Vice President of the Hale County Farm Bureau, Chairman of the Covenant Hospital Plainview Governing Board, Immediate Past President of the Hale County Stock Show Board, and a Deacon at the Garland Street Church of Christ. He was previously involved with the Texas Farm Bureau AgLead program and the National Cotton Council Policy Education program.

Riley was actively farming up until the day he passed away, and Mark says that his father was always concerned with contributing to farm operations. He says that when his father's health began to decline, Riley gave him permission to make decisions on his behalf.

"When my dad got sick, he considered giving up his seat on the PCCA board, but I encouraged him not to," Mark says. "He loved PCCA so much, and I knew that it would help him keep going and it was the last thing he engaged in outside of the farm. I was afraid that if I expressed an interest in serving that he would step aside to give me an opportunity."

Mark wants to serve District 2 and be a resource to PCCA members. He explains that he knows his role is acting as a liaison between PCCA and its members, and he feels he has a duty to stay aware of issues and be prepared for anything that is needed from him. He wants to be active within PCCA because he believes people involved in agriculture need to seek positive results with things that will support the industry. He is excited to carry on in his father's position but eager to contribute his ideas to the board on behalf of his district.

"My dad always said, 'You are only as good as your word and if you start something you have to finish it,' and he was working until the minute that he died," Mark says. "One of my first thoughts after his passing was that I needed to continue what he started on the board, but I'm looking forward with eyes to the future." 🍏



## Mark True is Elected PCCA's Newest Board Member





*TELMARK employees, from left to right: David Canale, Andrew Arnold, Betty Quisenberry, Sam Hansard, Juanita Gutierrez and Zac Hurley*

# TELMARK

## Contributes to PCCA's Success

**S**ince 1985 when it was created, TELMARK has been a valuable member of the PCCA family. The company was founded to provide electronic cotton marketing, scale ticket, and gin bookkeeping services to independent gins and their customers and to pay dividends from its net margins to PCCA and to share expenses with the cooperative.

In its inaugural season, the company signed up 49 gins. The next year, TELMARK became the first Loan Service Agent (LSA) for the U.S. Department of Agriculture's Form A cotton loan program. Additional services were created and offered during the ensuing years to bolster TELMARK's earnings potential, and a cotton warehouse facility at Memphis, Texas, was purchased.

"We encourage our customers to sell cotton on The Seam because we generate an extra \$1 per bale for the sale, but our \$1 per bale service fee is our best revenue source," explains TELMARK's current General Manager Sam Hansard who has spent his entire professional career in the cotton industry. "We also provide 'back office' services for the San Joaquin Valley Quality Cotton Growers (SJV) pools," Hansard says. Hansard joined the TELMARK staff in 2010.

David Canale runs the SJV services and works with the gins. Canale joined his family's cotton merchant business in 1991 then

joined the TELMARK staff in 2008. "At my family's company, I was in charge of selling cotton, but I also did the cleaning and took out the trash," he says with a laugh. Betty Quisenberry is TELMARK's Customer Service Representative and has administrative responsibilities as well.

"I joined the staff at PCCA in 1980," she recalls. "I worked for two presidents and their management teams until I moved to TELMARK in 1998." She says the company has 35 gins signed up for the 2014-15 season. Juanita Gutierrez went to work at PCCA in 1992. She moved to TELMARK in 2006 where she distributes checks to customers virtually every day and provides office support. Andrew Arnold joined the staff in 2009 straight from college. His duties include managing relationships with gins and helping with cotton shipping and invoicing. The latest addition to the TELMARK staff is Zac Hurley, who transferred from PCCA's Traffic and Invoicing Department. Zac is Logistics Manager where he will be a key contact for TELMARK's merchant customers.

From 1985 through the 2013 crop year, TELMARK handled 16.5 million bales and sold 5.6 million electronically. It also earned \$10.6 million in net margins and contributed almost \$10.1 million to PCCA in shared expenses. The TELMARK staff clearly is proud of their accomplishments and of being part of the PCCA family.

Current PCCA employees who formerly worked for TELMARK are Vice President Greg Bell and Director of Sales Grady Martin. ●

BY JOHN JOHNSON / PHOTO BY JAYCI CAVE



# CHANGES IN ACUFF, *Ernestine Stennett Retires*

BY TAYLOR WORD | PHOTO BY JAYCI CAVE

For 33 years, Ernestine Stennett was the backbone of the cotton gin in Acuff, Texas. Described as the nucleus of the community, Stennett was not just the local bookkeeper but also a friend to many. The gin office was her second home, where the people were family and her biggest accomplishment was having enjoyed every day of work. She was described as the “go-to” person for just about anything in Acuff.

Stennett was a stay-at-home mom when she came to work at the Acuff gin in the 1950s. She left the gin to take care of her kids, only working seasonally in the fall. At the request of the gin manager, she returned in 1981 and became the official bookkeeper of the gin in 1984. With 40 total years under her belt, Stennett worked at the gin for 33 consecutive years.

“This is kind of like home to me,” Stennett said. “I’ve spent half of my life here, and it has been a great place to work.”

In addition to enjoying every day at the gin, Stennett said another great accomplishment was learning the technology. When she first started, bookkeeping was done by hand and with PCCA just a phone call away, Stennett learned more than two different operating systems on the gin computers.

According to co-worker Sharon Brown, Stennett acted as a great friend, sister and psychologist since her first day in 1997.

“There is not one particular memory with Ernestine that stands out, it’s all of them,” Brown said, tearing up, “All of them are very special.”

Emotions became heavy when co-workers described Stennett. As a mentor, Stennett was an asset in providing education to fellow employees. Debbie Robertson, newest bookkeeper in Acuff, has been employed at the gin for roughly three years.

“She taught me a lot about the ginning business,” Robertson said. “There’s a lot, I mean a lot, that goes into being a gin bookkeeper, and she’s been very patient with me. I hope I can make her proud and do a good job.”

Robertson and Brown agree that they wish she were there every day with them but are managing without her “as best as possible.”

Stennett has been spending her time organizing and maintaining her home and spending time with Arlen, her husband, and their dog, Cuddles. As a mother of three, grandparent to seven, and great grandparent to five, Stennett rooted her family in



*Ernestine receives a retirement gift from the gin manager and board, from left to right: Brady Mimms, Ernestine Stennett, Garry Haralson, and Joey Jenkins.*

the Acuff area and her retirement has included spending time with them. Stennett’s children Kathy, Cary and Gary all reside nearby allowing for easy visits, giving her the opportunity to keep a close eye on the gin.

“She visits several times a week, and we have even called her with questions we have,” Brown said. “She is always close by.”

As a seasoned gin bookkeeper, Stennett’s valuable advice is precious to her fellow employees. Through the struggles the gin had to face over the years, she explains that kindness is key for success when working with all the customers and gin employees. In the cotton industry, there are many factors that contribute to the attitudes of the people visiting the gin, and patience is necessary to continue to have a positive attitude.

When the 2014 ginning season began, Stennett got a call from Manager Joey Jenkins inviting her to come back to work temporarily, and she jumped at the chance.

“I know they can handle it without me, but I was so excited when they let me come back to help,” Stennett said. “I had wished they would need me again, but I’ll be happy to get back to retirement after the season is over.” ☺





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