



UNITED STATES
ASSOCIATION OF
IMPORTERS OF
TEXTILES AND
APPAREL

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June 25, 2001

Ms. Whitney Rick
Chief, Research and Promotion Staff, Cotton Program
Agricultural Marketing Service
USDA, Stop 0224
1400 Independence Avenue, SW, Room 2641-S South Building
Washington, D.C. 20250-0224



Re: Comments on Review of 1990 Amendments to the Cotton Research and Promotion Act;
66 Federal Register 16440 (March 26, 2001)

Dear Ms. Rick

The U.S. Association of Importers of Textiles and Apparel, USA-ITA, hereby submits its views on whether a referendum is needed to determine whether producers and importers support continuation of the amendments to the Cotton Research and Promotion Order. In light of the fact that it has been ten years since the last referendum, that current rules for the initiation of a referendum are too difficult to ensure that a referendum will be held, and that regularly scheduled referenda would increase the accountability of the program, USA-ITA strongly urges the Department of Agriculture to conduct a referendum. Referenda are essential to assure that the research and promotion programs are properly administered and fully responsive to the needs of the producers and importers they were created to serve.

The overarching goal must be the assurance of programs that are representative of their constituencies, effective, and responsive to participants' needs and interests. When USA-ITA testified before the Research and Promotion Task Force in March 1999, the association expressly noted the need for a USDA-directed referendum on the Cotton Program. Ultimately, the recommendations of the Task Force included endorsements of continuance referenda at regular intervals (Recommendation #17), along with two other related recommendations, #10 (independent program evaluations), and #19 (simple and super-majorities). USA-ITA agreed with each of these recommendations of the Task Force and believes the Agriculture Department should now begin to act upon these recommendations by moving forward with the scheduling of a referendum on the Cotton Program.

All programs involving the kinds of expenditures required under the Cotton Program, including such significant assessments and a large and growing annual budget, should be subject to a regular review process. However, the cumbersome procedures involved in initiating a referendum under Section 8(c)(2) of the Cotton Research and Promotion Act of 1966 as amended, have actually served to preclude the holding of a referendum. Thus, referenda limited to requests via a sign-up process amount to an assurance that there will never be a review via a referendum. That is not the way to ensure that producers and importers are provided with the best quality service and product.

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Under section 1205.24 of the Regulations, importers are considered as a single group. That means that, like each single state, importers can account for no more than 20 percent of the total requests for a referendum -- even though importers account for one-third of the assessments. No single state accounts for one-third of the revenues. (Texas -- the largest producer and source of producer funds -- accounts for about one-quarter of the revenues.) In the absence of a revision of the regulations, the referendum process provided for there is unlikely to be utilized. USDA action, such as the one proposed in the March 25 Federal Register notice, provides the only viable basis for a referendum.

It is for precisely that reason that USA-ITA proposed that referenda automatically be held a minimum of every five years. The best measure for evaluating the effectiveness of a research and promotion program is the level of support from those paying the assessments. No board should fear a referendum and no board can responsibly assert that commissioned studies can substitute for a continuance referendum. USA-ITA remains extremely concerned and perplexed by the opposition of the Cotton Board to a mandatory referendum that would provide periodic assessments of need or continued value. Research and promotion programs are intended to serve their constituent industry, not simply provide permanent forced funding (and employment) without assessing need and direction. No board should assume, as the Cotton Board appears to do, that referenda would force them to focus only upon short-term results (if five-year or ten-year reviews could possibly be considered short-term) to ensure their continuation via referenda. Especially in the case of the Cotton Program, which has been in existence for almost 25 years, it is clear that long-term programs can be effectively presented and evaluated by assessment payers.

A referendum on the Cotton Program is particularly important for U.S. importers subject to the program. That is because while we account for one-third of the funding and are about to account for one-third of the seats on the Cotton Board, we have no representation on the board of directors of Cotton Incorporated. As we noted before the Task Force previously, the legislation establishing the Cotton Program requires that the organization or association with which the Cotton Board contracts must have a governing body consisting of "cotton producers selected by the cotton producer organizations certified by the Secretary." 7 USC section 2106(g). Further, the representation on the governing body must be in proportion to the cotton marketed by producers of each State. Importer representatives are excluded altogether -- by law.

Incredibly, when the Cotton Research and Promotion Act was re-written in 1991 to compel the participation of importers, this aspect of the authorizing statute was not modified. Therefore, Cotton Incorporated, as the sole contracting party to the Cotton Board, includes absolutely no importers on its board of directors -- even though one-third of the monies going into Cotton Incorporated's coffers comes from importers. Given the practice of holding joint Cotton Board-Cotton Incorporated board meetings, the already extremely limited influence of the few importer Board members is even further diluted. Pending the end of the disenfranchisement of importers on the board of Cotton Incorporated, a referendum provides the best means for the views of importers to be presented to Cotton Incorporated.

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USA-ITA also recommends that once a referendum is held, that the votes of importers be counted in proportion to their level of assessments. Under the current rules, one company constitutes one vote, although it may account for a far greater percentage of total assessments collected. The votes should be counted proportionate to the assessments paid during the most recent year.

USA-ITA appreciates this opportunity to present its views on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura E. Jones", written in a cursive style.

Laura E. Jones
Executive Director