

Crops

Plains Cotton Cooperative breaks records in 2006

By JOHN JOHNSON and J.T. SMITH

RECORDS, it's been said, are made to be broken. Must be true. The Plains Cotton Cooperative Association broke a pile of records in fiscal 2006.

"Gee whiz! What a year it was!" says Eddie Smith, PCCA board chairman, of Floydada, Texas.

Records established include gross sales, volume of cotton marketed, warehouse receipts and warehouse net margins and are due, in part, to record cotton production in Texas, Oklahoma and Kansas.

Cash payments totaling \$28.9 million from fiscal 2006 earnings were announced at PCCA's 53rd annual stockholders meeting in September at the headquarters in Lubbock, Texas. The amount consisted of \$13.8 million in cash dividends, \$6.6 million in stock retirements and \$8.5 million in retirement of per-unit capital retains. Net margins to-

Key Points

- Plains Cotton Cooperative sets many records for fiscal 2006.
- Cooperative was prepared to move and market a big crop.
- Denim mill has remained competitive through innovation.

taled \$27.8 million at the end of the 2006 fiscal year on June 30, compared with \$27.9 million the previous fiscal year.

"Early in the season, we recognized the potential for a record crop," says Wally Darneille, PCCA president and CEO. "So, we built new warehouses at our facilities in Sweetwater, Texas, and Liberal, Kan., and leased additional storage capacity."

Record receipts contributed to the Warehouse Division's combined net margins of \$10.9 million, a major increase from the previous fiscal year's net margins of \$8.4 million.

"Of the 6.6 million bales processed by the Marketing

Division, approximately 4.5 million were actually marketed electronically and through PCCA's pools," Darneille says.

At fiscal year-end, the division reported net margins of \$4.8 million, the second highest in its history.

"PCCA's wholly owned subsidiary, Telmark Inc., also set records for the volume of cotton handled, the number of loans processed on behalf of its customers and profits that contributed to the Marketing Division's bottom line," Darneille adds.

For the second straight year, the combined volume of cotton delivered to PCCA's marketing pools set a record. At fiscal year-end, the pools reported net margins of \$15.7 million.

Battling competition

Significant highlights for PCCA's marketing-pool efforts in fiscal 2006 included increased export sales and improved sales to key domestic mills.

Sales to Mexico increased



WALLY DARNEILLE, (left) president and CEO of Plains Cotton Cooperative Association, Lubbock, Texas, and **Eddie Smith**, PCCA chairman of the board, Floydada, Texas, were elated with the PCCA cotton records achieved in fiscal 2006.

more than 80% compared to the previous year. Meanwhile, PCCA's Textile Division faced challenges during the fiscal year, including a surge of imported denim jeans from Asia.

"Cheap apparel as imports flooded the [domestic] market in fiscal 2005," Smith notes.

PCCA's American Cotton Growers denim mill at Littlefield, Texas, rebounded in 2006.

"The overwhelming amount of foreign apparel, combined with one of the worst-ever back-to-school shopping seasons in 2005, kept retail inventories at levels that were not sold off

until April of 2006," Darneille says. "The division ended the year with a net loss of \$3.9 million, but actually produced a positive cash flow of almost \$1.7 million. Once conditions had improved near the end of the fiscal year, our denim mill was able to get back to a full operating schedule."

But not all U.S. mills stayed afloat. Darneille notes the closing of other U.S. denim mills during the year has resulted in opportunities for the cooperative's ACG denim mill.

Johnson is with PCCA at the Lubbock, Texas, headquarters.



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