Testimony of
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Chairman, National Cotton Council
Senate Commerce, Science and Transportation Committee
October 21, 2020

Chairman Wicker, Ranking Member Cantwell and Members of the Committee, I am Kent Fountain – a cotton grower and ginner from Surrency, Georgia, and I thank you for the opportunity to testify today on behalf of the National Cotton Council (NCC). I currently serve as the elected Chairman of the Council.

The NCC is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton with production averaging 12 to 20 million 480-lb bales annually. The downstream manufacturers of cotton apparel and home furnishings are located in virtually every state. Farms and businesses directly involved in the production, distribution and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than $22 billion. Annual cotton production is valued at more than $5.5 billion at the farm gate, the point at which the producer markets the crop. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 280,000 workers with economic activity of almost $75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed and cottonseed oil is used as an ingredient in food products as well as being a premium cooking oil.

I would be remiss if I did not give you an update on the catastrophic effect the COVID-19 pandemic is having on the cotton industry. We have all seen the headlines of iconic American brands like Brooks Brothers, J Crew and J.C. Penny filing for bankruptcy, and the effect is being felt throughout the cotton industry. Cotton textile mills have seen orders drop upwards of 90% since retail stores were shuttered and cotton merchants have had additional interest and carrying costs as mills around the world slowed production or closed due to a lack of orders, and in some cases cancelling their purchases of U.S. cotton. At the grower level, the financial situation has worsened as prices have fallen since the beginning of the year. I urge the Senate to pass a COVID relief bill that not only addresses the needs of producers but also includes explicit direction to USDA to assist cotton textile mills and merchants who have been devastated by this pandemic to ensure that this critical industry remains in America.

Rail transportation is vitally important to the U.S. cotton industry. Within our industry there are two distinct commodities produced from the cotton crop: cotton lint and cottonseed. The cotton harvest includes removing the cotton fiber from the plant and then separating the cotton lint and the cottonseed in the ginning process. The cotton lint that we are all familiar with is formed into 500-pound bales and is ultimately consumed by textile mills in the U.S. or around the world, with roughly three out of every four bales entering the export market. Moving those bales from a cotton warehouse to a domestic mill or port facility is a key component of the U.S. cotton industry's competitiveness.

Following the ginning process, cottonseed is stored, usually at the gin, until entering the marketing channel. Whole cottonseed is either sold as a feed ingredient for dairy cattle or is crushed at a cottonseed oil mill to produce both oil and meal. For example, transporting cottonseed from a loading facility in Mississippi to a dairy in Washington requires reliable and cost-effective freight rail. To provide a perspective on the scale of the interconnection of the cottonseed and dairy markets, one of our members estimated the railroad shipped 1.7 million tons of seed (17,000 railcars) to the dairy market in 2019-20. In addition to cotton lint and whole cottonseed, cottonseed oil is also primarily shipped via rail.

Through the years our industry has generally worked amicably with Class 1 railroads to address any challenges. However, there have been instances where a rail customer felt that a rate increase was unjustified. Unfortunately, when researching how to pursue a formal challenge of the rate increase with the Surface Transportation Board, it was found that costs to a small company could exceed $100,000. We encourage Congress to find the right balance of discouraging frivolous challenges while providing a more realistic path for freight rail customers to have their concerns heard and fairly addressed.

Chairman Wicker, specifically we would like to thank you for your support of the Memphis Supply Chain Innovation Team and broader work to improve supply chain velocity and efficiency in critical intermodal systems that are used to ship cotton.

U.S. cotton shippers are dependent upon all links in the intermodal supply chain and utilize the Memphis market and other similar interior concentration points as critical hubs for shipping cotton. The Memphis Supply Chain is a major intermodal freight hub and is home to five Class I railroads, the largest cargo airport in North America, and the country's fourth busiest inland port. Collectively, market participants in Memphis converged and formed the Memphis Supply Chain Innovation Team. This team is comprised of shippers, ocean carriers, railroads, chassis pool contributors and motor carriers who volunteered to address the collective challenges we have faced in the Mid-South area in search of a better and more efficient supply chain process for all.

Our collective challenges included grounding of equipment at our railroads, detention and demurrage charges, chassis shortages, chassis quality issues and trucking shortages that slowed down and then brought freight movement to a halt in the first quarter of 2018. It is important to note that these same issues plagued Memphis again in the first quarter of 2019 and appear to be re-occurring now, proving that the issues are indeed systemic and not one-off occurrences. The team agreed that the most actionable problem was a deeper look at the chassis shortage. We request continued support from the rail industry to resolve critical disruptions to supply chains in these important markets.

As I noted earlier, international trade is extremely important to the U.S. cotton industry. International intermodal rail carriers must maintain the integrity of containers moving together from interior ramp of receipt to port of loading, in order to reduce shipment splits and rolls that directly impact foreign mill customers' production cycles. Once on the water, split and rolled shipments create costs, risks, and complexity for cotton shippers. We request that international intermodal rail carriers work with ocean carriers to implement uniform and consistent standards on inland, vessel, and documentation cutoffs.

For rail serviced cotton warehouse locations, cotton shippers need the railroads to provide consistent and sufficient information to prevent railcar "bunching" on delivery at the destination warehouse, mill, or intermodal facility.

Finally, the U.S. cotton industry supports the principles raised in the Federal Maritime Commission's Interpretive Rule regarding *cargo availability* and *reasonableness* when determining the validity of fees like demurrage and detention. We request broader consideration of these themes throughout interior intermodal shipping systems. In particular, there is a serious need to address the contractual models that deny shippers choice in intermodal equipment utility, while also subjecting them to associated fees.

Thank you for the opportunity to present the views of the U.S. cotton industry and I look forward to answering any questions you may have.