



The *New* American Farmer

Terry and LaRhea Pepper

O'Donnell, Texas

Summary of Operation

■ *960 acres organic cotton, 480 acres conventional cotton*

■ *Cover crops for green manure*

■ *Marketing cooperative, value-added cotton products*

Problem Addressed

Low cotton prices. When Terry and LaRhea Pepper of O'Donnell, Texas, realized their cotton prices were stuck in the past while their expenses were on fast forward, they solved the problem by adding value, direct marketing and going cooperative.

“We were selling cotton at the same price my grandfather sold it for in the 1930s when he could buy a new tractor for \$1,200,” says LaRhea.

Background

In 1926, when LaRhea's grandfather, Oscar Telchik, moved to O'Donnell, he and most of his neighbors had diversified operations of cattle, corn and cotton. After World War II, west Texas farmers joined the trend toward monocropping, but still left about 20 percent of the land each year in wheat or corn for soil improvement.

Many farmers dropped the rotations and depended on increased acreage and chemicals to boost production, until the Texas High Plains became a wall-to-wall cotton carpet covering 3 million acres. Higher yields can be garnered temporarily through fertilization, pesticides and irrigation, but there came a point for the Peppers when income didn't balance the inputs. Rather than trying to compete on that treadmill, the Peppers chose to aim for higher value from their crop.

Focal Point of Operation — Marketing organic cotton

Certifying their land as organic caused few changes in the Peppers' operation. They still grow cotton on some 1,400 acres, but now they rely on mechanical cultivation, cover crops, frequent rotations and attracting — or releasing — beneficial insects.

To help with fertility, Terry Pepper chose an unusual cover crop: corn. He plants it in strips throughout his cotton fields, where, during their fiercely hot summers, it grows stunted and produces small ears. Terry shreds the corn crop and leaves the residue on the ground to hold moisture, suppress weeds and add organic matter. The corn cover helps attract beneficial insects such as lady beetles and lacewings, which eat cotton-damaging aphids. Sometimes, Terry purchases a Central American wasp to battle boll weevils, however they are fortunate that their dryland system does not attract a high number of insect pests.

“At the time we decided to certify, we were already depending on corn as green manure,” recalls Jack Minter, LaRhea's father, who now helps LaRhea run the marketing co-op. “We occasionally used a

defoliant in the fall and perhaps something now and then for a little pest control. By going organic we just have to wait for a freeze to defoliate naturally and we can live with a few boll weevils.”

Labor for weed control remains their biggest expense, raising production costs to around \$70 per acre or about the same as conventional, non-irrigated cotton in neighboring fields.

Terry, sons Lee and Talin, one full-time worker and a seasonal crew cultivate with tractors and hoes. In 2000, they added an old flame weeder to their non-chemical arsenal.

Once they were certified, LaRhea took on the challenging task of marketing their new cotton product. “We knew we had to find a niche that would pay more at the farm gate,” she says. Once the state Department of Agriculture established its organic fiber standards, the Peppers certified their land and began marketing cotton as a value-added product. Since then, they consistently receive a premium.

They had to carve that niche out of the seemingly impenetrable rock of the conventional cotton market. The first obstacle was that the manufacturers looking to buy organic fabric only wanted to buy small amounts. Those amounts did not meet the minimum yardage mills require for processing.

The Peppers founded Cotton Plus in 1992 to buy back and distribute their cotton after they had paid a mill to weave it into fabric. The risk paid off by moving more of their



Gwen Roland

In 2000, the Peppers and their cotton co-op produced one-third of all U.S. organic cotton.

crop. Within one year, the demand for Cotton Plus organic fabric was greater than their farm could supply, so in 1993 they co-founded the Texas Organic Cotton Marketing Co-op. In that first year, the co-op distributed cotton to clothing and home accessory manufacturers.

Today, membership hovers around 30 families. In 2000, the co-op produced more than 6,000 bales, about one-third of all organic cotton grown in the United States.

Most cotton farmers don't follow their crop past the gin, so they aren't aware that shorter staple fibers, which make up about 25 percent of the harvest, fall below standards for spinning. Always looking to add value, LaRhea researched uses for the co-op's short staple cotton and, in 1996, founded Organic Essentials to produce and distribute health products such as cotton balls, swabs and tampons.

While the rest of the co-op is growing this year's cotton, LaRhea is seeking markets for next year — while turning last year's crop into products. She tries to give the manufacturers a six-month projection of how

many tampons (made in Sweden and Germany), cotton balls (made in Nevada), and swabs (currently looking for a new manufacturer) will be sold to distributors.

“I'm changing agriculture one cotton ball at a time,” she says. “I have to constantly balance the production of cotton with mills that will accept it, manufacturers who will make the products and stores that will sell them. Marketing is

the name of the game.”

LaRhea walks a fine line. She must find markets a season ahead of production, so she gambles on whether the quantity of the products for which she has found a market will actually be produced. One day, she handles a customs dispute when \$80,000 worth of tampons are detained from entering the United States; on another, she flies to Nevada to negotiate with owners of a new mill who claim they need to spray the cotton with a chemical to make it fluff. Recently, when Organic Essentials was down to less than a month's supply of cotton swabs, the factory converted to automation and didn't want the down time of cleaning their machinery for an organic run.

“When you lose \$20,000 worth of income because a product was not on the shelves, you never recoup that,” she says about the urgency to locate another manufacturer.

Economics and Profitability

Since 1992, the cotton cooperative and two businesses have added almost \$12 million to the economy of the sparsely populated communities around Lubbock. More than

half of that additional income was in premiums received by farmers above what their cotton would have brought on the conventional market.

“We started this so 30 farmers would have a place to sell their cotton,” says LaRhea. “Unless you irrigate out here, you can’t grow anything but cotton, and you can’t produce enough to make a living at 50 cents a pound. Many co-op members have stated that if they had not converted to organic, their farms would no longer be economically viable.”

Environmental Benefits

Economics have never been the main issue for the Peppers. “I think organics will continue to make a profit,” says LaRhea’s father, Jack. “But mainly, it’s a way of life. We have chosen to accept our responsibility as stewards of the land and it is important to show what can be done without chemicals.”

Although cotton occupies less than 3 percent of the world’s farmland, it accounts for more than 10 percent of pesticides and almost 25 percent of insecticides used worldwide. While cotton production was never as chemically dependent in the arid High Plains as in the Deep South, Minter had witnessed increasing use of defoliant and pesticides as farmers tried to compensate for low prices by boosting yield.

“Every day, I pass the homes of eight cotton widows in the fields around our farm,” he says. “I know men don’t live as long as women, but some of these women have been widows for 20 years. I’d like to think that the 10,000 acres of organic cotton now growing in west Texas is the first step toward Texas farmers living longer.”

In terms of pollution potential, those 10,000 acres spare West Texans from exposure to an estimated 13.8 million pounds of synthetic chemicals per year.

Co-op members now see beyond the economic salvation of going organic, says LaRhea. “At the time they joined, some said, ‘I’ll do anything to save the farm, even go organic.’ Even though the initial catalyst was economic, now that they have seen how the crop rotations build soil, they believe in the principles.”

Community and Quality of Life Benefits

“The entire thrust has been to promote a way of life the co-op members believe in,” says LaRhea. “There was a time when family farms supported families and communities, but if we don’t do something now, we will be visiting farms only as museums.”

The co-op’s impact is easily visible in tiny O’Donnell, where mostly empty streets are dotted with mostly vacant buildings. Thirteen employees keep telephones and computers humming in the handsome building that houses all three enterprises. LaRhea is looking for another building to renovate so that Organic Essentials can have room to grow. In fact, Organic Essentials has begun selling shares through a private offering to raise funds to build a manufacturing plant in O’Donnell. “A plant of our own would eliminate the expense of shipping raw cotton to domestic and foreign manufacturers, plus we could maintain tighter quality and quantity control,” says LaRhea.

The fact that partnerships have developed with international companies such as EcoSport, Nike, Norm Thompson and Patagonia inspires this group of farmers to dream of their own vertical operation.

Transition Advice

LaRhea warns that a new-generation cooperative breaks new ground when they start adding value to their collective farm product. Unity of purpose and group-decision making are more crucial for such a protracted relationship. For example, cotton

co-op members get no payment in the fall except the government loan value of their crop. As cotton is sold throughout the following year, they get progressive payments. Such a schedule is an adjustment for farm families and their creditors.

She also advises that a business plan is as important for a cooperative as it is for a corporation. “Get funding in order first through retailers or from strategic alliances to have an economic pipeline in place,” she says. “We didn’t have this, so we have struggled building this bridge by saying, ‘OK, guys, throw me another plank.’”

The Future

The future may bring the hum of a hometown manufacturing plant — or the buzz of crop dusters bombing once-organic fields with pesticides. The most ominous threat to the organic cotton movement in Texas is the state’s new boll weevil eradication program. Instead of being allowed to put up with a small amount of damage, organic cotton farmers could be forced to plow under their crop if state inspectors deem a field too infested with the weevils. Just the threat of government interference has scared a few organic farmers back to conventional production. If enough organic growers give up, Cotton Plus and Organic Essentials could run short on raw material. The co-op’s contingency plan to deal with that potential crisis includes blending cotton with other organic fibers, buying cotton from outside west Texas and continuing to educate state and federal policymakers about the importance of organic cotton.

■ *Gwen Roland*

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