



Competing for Profit: UCG's Strategic Adaptations to Ensure Long-Term Success

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LUBBOCK, TX — Abandoned cotton gins have become a familiar sight as you travel through communities of the South Plains. Over the years, mergers, buyouts, and consolidations driven by economic pressures have resulted in the closure of several gins, while others have grown larger. In the midst of these industry changes, eight communities in Hockley County have united to form the United Cotton Growers Cooperative (UCG), a model of success and efficiency.

With a commitment to sustainability and innovation, UCG has focused on improving operational efficiency, merging multiple plants and offices into a modern, centralized location. Larry Wade, a board member of UCG, reflects on the changes: "In 2002, we sold the Whitharral plant and moved all our cotton ginning operations here. At one point, we had four offices, but now everyone is under one roof."

Covering approximately 125,000 acres across several counties—including Hockley, Terry, Lamb, and Cochran—UCG's operations reflect substantial growth and adaptation. Around 60% of the acreage is irrigated, with 25,000 acres utilizing sub-surface drip irrigation. UCG has also embraced advancements in farming technology, including improved seed varieties and irrigation techniques.

Paul Wilson, UCG's general manager, highlights the significant shifts in cotton production over the past two decades: "In 2002 and 2003, we saw several changes in the farming industry. Growers began adopting picker varieties and increasing the use of drip irrigation." These advancements have contributed to higher yields, which have translated to increased volume for the cooperative. In 2003, the gin processed an average of 60,000 bales. Today, that figure has more than doubled to around 150,000 bales per season.

To manage this surge in production, UCG has streamlined its operations, investing in automation where possible. As Wilson notes, while the cooperative can process between 130,000 and

140,000 bales during peak season, any excess cotton is contracted out to neighboring gins. "Contracting out the ginning costs us money," Wilson explains, "but it's more cost-effective than building a new plant."

While 2011 brought challenges, with drought conditions limiting production, UCG's board remains optimistic about the future. "The drought has delayed both our diversification and growth efforts," Wilson admits. "However, our board's wise financial decisions have allowed us to weather these tough times."

UCG's commitment to offering diversified marketing options has been pivotal to its success. By employing financial manager Tim Bynum, the cooperative provides growers with various strategies, from pooling their crops to negotiating direct sales with merchants. This flexibility has paid off, with growers benefitting from improved pricing thanks to the cooperative's tailored marketing strategies.

As part of its diversified approach, UCG also markets cotton seed, as well as burrs and motes, and provides crop insurance options for its members. The decision to hire an in-house insurance agent reflects UCG's forward-thinking approach to risk management.

"We're always looking to innovate," says Wilson. "Risk management and diversification have moved us forward." UCG's board remains committed to maintaining a strong financial position by carefully balancing debt and equity. With a careful rotation of stock every three to five years, the cooperative ensures it remains financially robust.

At the heart of UCG's success is its commitment to its grower-owners. "It's all about the grower/owner," Wilson says. "What's best for them is best for us." Despite an aging farming population, UCG is optimistic about the future. The cooperative has seen a modest increase in younger farmers returning to the industry, though concerns remain about the declining number of producers in the region. As board member John David Dukatnik points out, "Most of our farmers are older, and they'll be retiring soon. Those who take over will need large loans to manage the expanded acreage."

Despite these challenges, UCG remains committed to its vision of growth and sustainability. With a forward-thinking board and a diversified approach, the cooperative is well-positioned to continue thriving, even in the face of environmental and economic hurdles.

Through prudent decision-making and a focus on innovation, UCG has successfully adapted to industry changes. The cooperative's ability to balance growth, risk management, and fiscal responsibility ensures its ongoing success, promising a prosperous future for its growers and the communities they support.