

PRESENTATION OF JOHN BARRETT TO THE CFTC AGRICULTURAL ADVISORY COMMITTEE

**John Barrett, Cotton Farmer,
Member of Agricultural Advisory Group,
Port of Corpus Christi**

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Personal Background

- **Graduate of the U.S. Naval Academy**
- **Cotton Producer for Nearly 35 Years in South Texas**
- **Executive Director, Gulf Compress, Corpus Christi**
- **Working with Port of Corpus Christi on its Delivery Point Application**

Current Cotton Contract Is Not Working In South Texas

- **Little Forward Contracting in South Texas**
- **Widened Basis Means It Is Too Costly to Hedge Directly with Futures**
- **Cannot Arbitrage the Widened Basis Because There Is No Nearby Accessible Delivery Point**

Problems With Houston/Galveston

■ Little Capacity

- Houston 85,000 bales
- Galveston 192,000 bales
- Corpus Christi by Comparison Has About 550,000 Bales of Capacity

■ Not Readily Accessible

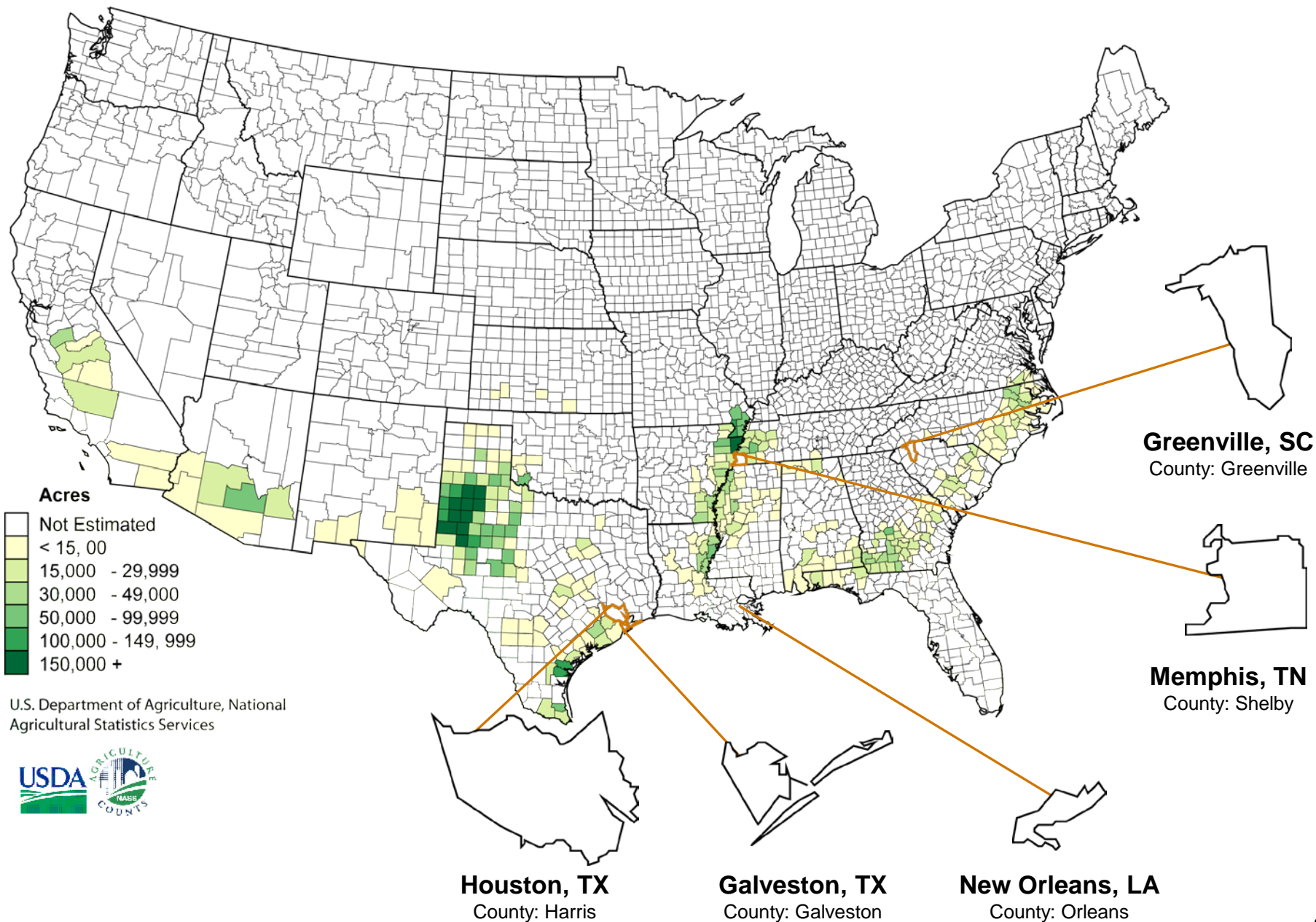
- South Texas Farmers Have Trouble Gaining Access
- During March 2008, Many Farmers Tried to Arbitrage Contract Unsuccessfully



Cotton Contract Needs More Accessible Capacity

- **Four Largest Merchants Control About 76% of Capacity at ICE Approved Delivery Locations**
 - Representatives of 3 of These 4 Merchants Were on the Subcommittee Making Recommendations to ICE
- **More Farmer Owned Co-Op Capacity Would Make Contract More Accessible**

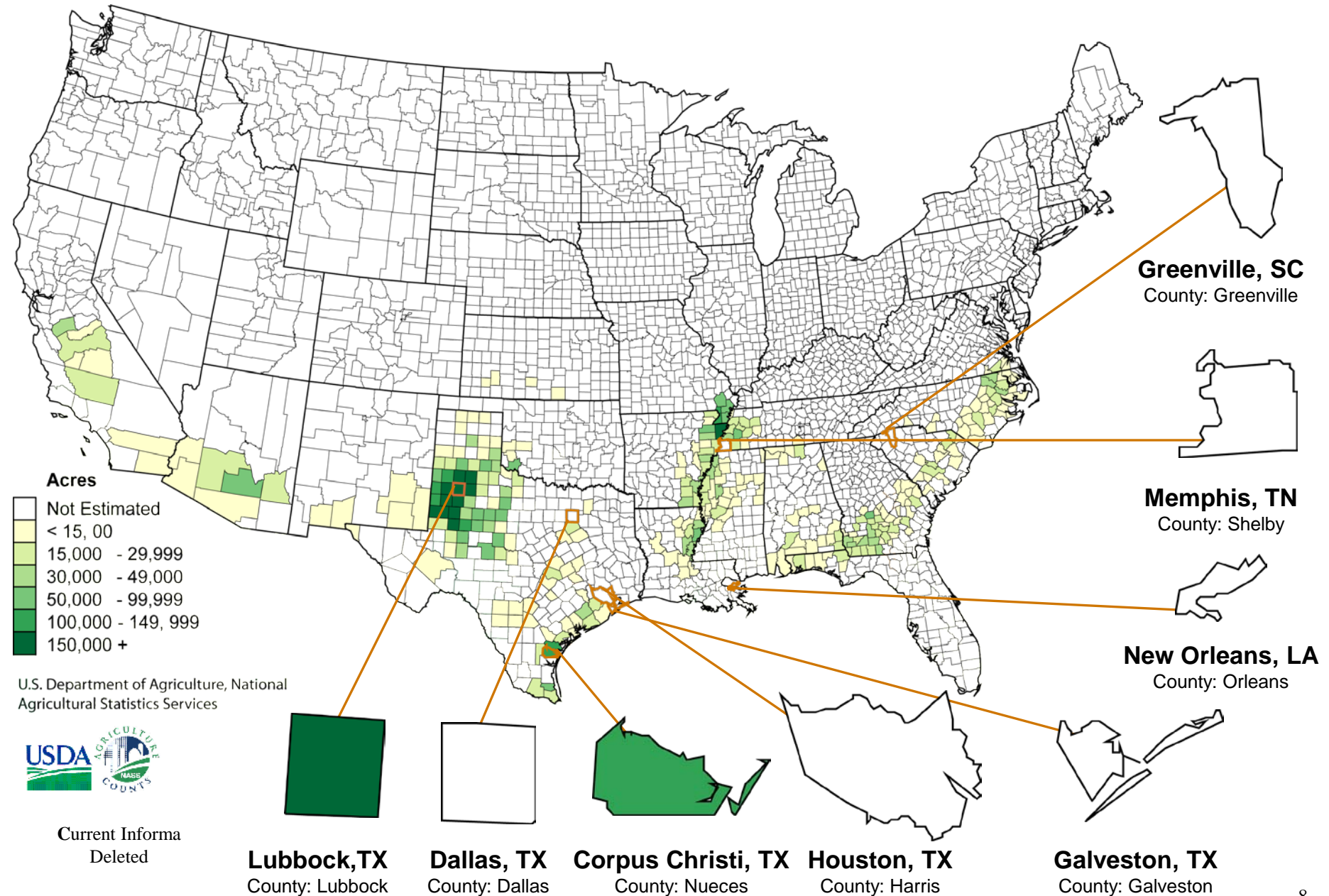
Cotton Production and Current Delivery Points



Informa's Recommendations

- **Delete All Current Delivery Points Other than Memphis**
- **Add Either Dallas or Lubbock**
- **No Discussion of Corpus Christi**

Different Delivery Point Options: Present and Under Consideration



Corpus Christi As A Delivery Point

- **Substantial and Accessible Warehouse Capacity**
- **Would Permit Farmers to Arbitrage Themselves Rather Than Rely on Merchants**
- **Would Improve Hedging Performance of the Contract**
- **La Quinta Trade Gateway**

The Port Previously Applied to Be a Delivery Point

- **In 1995-1996 --**
 - The NYCE's Cotton Committee recommended adding Corpus Christi as a Delivery Point.
 - The NYCE Board of Managers Declined Because “No Need for Any Additional Delivery Points” at That Time.
- **Today -- No Real Dispute of the Need for Change**
- **Case for Corpus Christi Is Even Stronger Today**
 - Part of Export-Oriented Commercial Flows
 - Quality of South Texas Cotton Has Become Among the Best in the Country
 - Substantially Increased Warehouse Capacity
 - La Quinta Gateway

Corpus Christi Versus Dallas And Lubbock

	Dallas	Lubbock	Corpus Christi
Substantial and Accessible Warehouse Capacity	?	√	√
Competitive Transportation Options	√	?	√
Significant Export-Oriented Supplies Flowing Through Location	√	√	√

Note: Assessment of Dallas and Lubbock taken from Informa Study

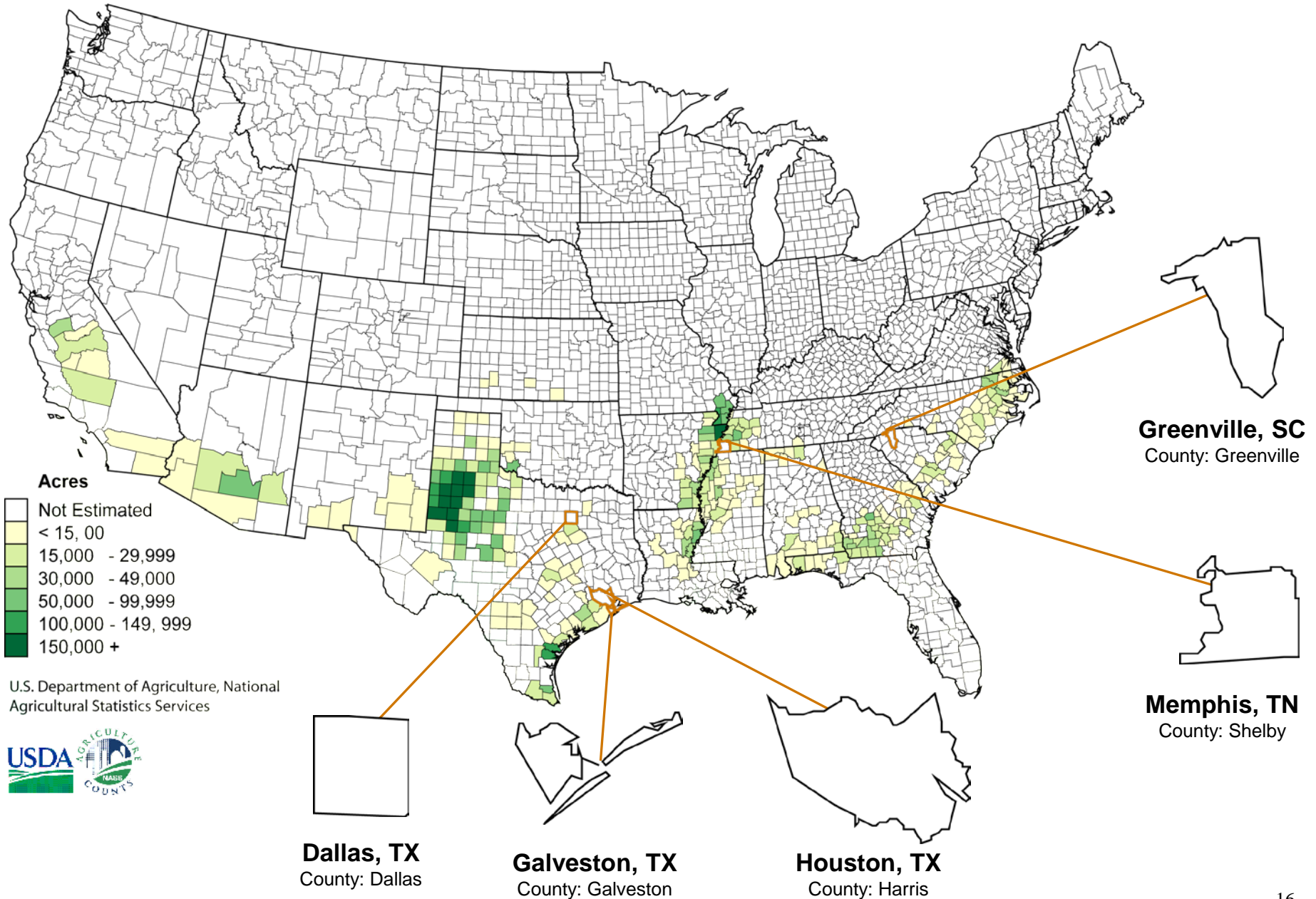
Current Shipping Trends Make Corpus Christi Particularly Attractive

- **Cost of Shipping West Texas Cotton to Pacific Rim Through Gulf Ports Today Is the Same or Cheaper Than the West Coast**
- **Current Asian Trade Patterns Are Shifting Towards Gulf Ports**
- **Panama Canal Expansion Will Likely Make Gulf Ports Even More Attractive**
- **La Quinta Trade Gateway Means the Port of Corpus Christi is Primed to Capitalize on These Developments**

ICE Subcommittee Recommendations

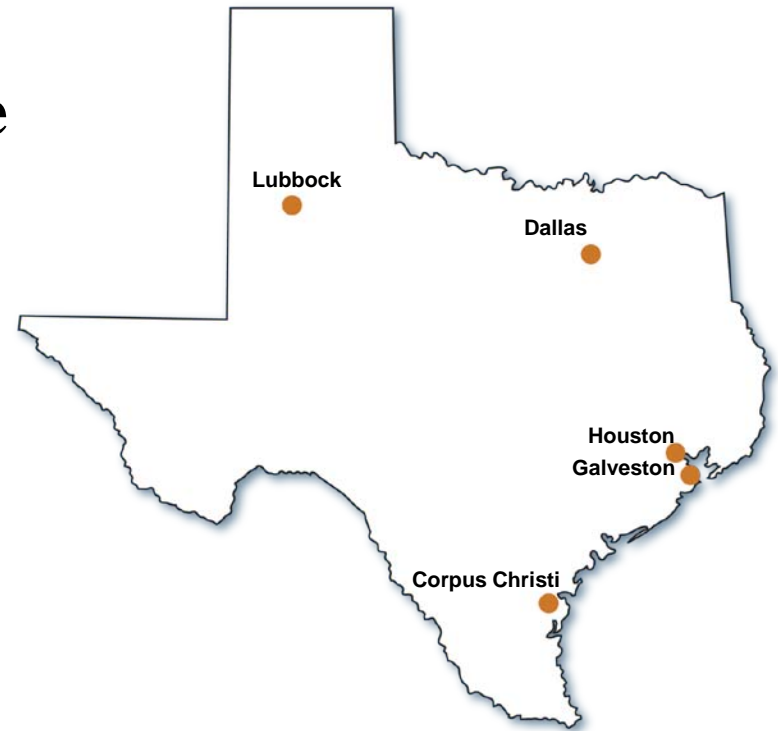
- **Subcommittee Set Aside the Informa Recommendations**
- **Recommended Replacing New Orleans with Dallas**

ICE Subcommittee's Proposed Delivery Points



Why Have Both Houston And Galveston?

- **Geographically, Not Distinct**
- **Neither Has Much Warehouse Capacity Nor Nearby Production**
- **Informa Recommended Deleting Both**



Replace Either Houston Or Galveston With Corpus Christi

- **ICE Subcommittee Recommended Exchanging New Orleans for Dallas**
- **Similar Exchange of Either Houston or Galveston for Corpus Christi Makes Sense**
 - Corpus Christi Has More Warehouse Capacity Than Houston/Galveston Combined
 - Corpus Christi Capacity Is Readily Accessible by Farmers
 - Unlike Houston/Galveston, Corpus Christi Has Significant Nearby Cotton Production