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May 3, 2000

COMMENT

Ms. Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581
FAX: (202) 418-5521
(202) 418-5527

Re: Proposed Amendment to the Cotton No. 2 Futures Contract Prohibiting Cotton Stocks Under Commodity Credit Corporation Loan From Simultaneously Being Exchange-Certified for Delivery on the Futures Contract

Dear Secretary Webb:

Southwestern Irrigated Cotton Growers Association (SWIG) is a cooperative responsible for marketing cotton produced by grower/members in New Mexico, Texas and Arizona. On behalf of association's membership, I am writing you to express opposition to the proposed cotton futures contract amendment described above.

In April, the Commission highlighted interest in comments regarding:

1. whether the continuation of the practice of allowing certified cotton stocks to remain under CCC loan represents a threat to orderly trading and delivery in the futures market;
2. whether the proposal will reduce deliverable supplies to levels that would make the futures market susceptible to price manipulation or distortion; and,
3. whether the proposal, by precluding the use of a method of financing that is commonly used in the cash market, is consistent with the requirements of section 15 of the Commodities Exchange Act.

The option to certificate cotton under CCC loan has not, to date, hindered orderly trading and delivery in the cotton futures market. Absent any such problems, and after many years of experience with the current USDA program as it relates to cotton, SWIG sees no reason why at this time the Commission should be concerned about orderly trading and delivery under the current rules.

SWIG feels the proposed amendment will hinder the ability certify cotton. Such a hindrance will reduce deliverable supplies and threaten to disrupt trading activity. The benefits provided by the CCC would have to be waived in order to certificate stocks. Essentially, this would constitute an increase in the cost of certification and would certainly lead to a restriction in the amount of cotton available for certification. Such a restriction could only disrupt cotton trading and delivery.

Because the proposed change increases restrictions without curing any specific problems related to orderly trading or delivery, SWIG is concerned that the change conflicts with the requirements set forth in Section 15 of the Act. Specifically, SWIG questions whether the proposed change is consistent with the requirement to endeavor to take the least anticompetitive means of achieving the objectives of the Act.

In summary, SWIG feels the proposed change creates a more restrictive trading environment without addressing any existing trading or delivery problems. Such a change only threatens to disrupt the orderly operation of the cotton futures market. Finally, thank you in advance for giving due consideration to SWIG's opposition to the proposed amendment.

Sincerely,

Gil Jones
Senior Vice President
Administration and Operations