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American Cotton Producers
of the
National Cotton Council

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OFFICE OF THE SECRETARIAT

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901/274-9030 / 725-0510 (fax)
email: cbrown@cotton.org

COMMENT

May 2, 2000

Ms. Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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 Ms. Webb:

This letter is to comment on the proposed regulation prohibiting certification of a bale of cotton for delivery on the New York Cotton Exchange (NYCE) future's contract that was also pledged as collateral for a Commodity Credit Corporation loan. The American Cotton Producers (ACP) of the National Cotton Council strongly opposes this proposal. The ACP represents the producer segment of the National Cotton Council of America's membership, which includes growers from Virginia to California. The ACP is taking this action independent of the National Cotton Council, which has no policy on this matter.

The position of cotton producers on this issue has not changed since it was last introduced in 1993. At that time you received comments from the Producer Steering Committee (now re-named the ACP) clearly opposing this move. We are not aware of any circumstances that have changed regarding the operation of the #2 future's contract of the NYCE in relation to the loan that would merit any change.

Because of the recent years' low cotton prices, growers have had to depend upon the competitiveness features of the marketing loan to move product into commercial trade channels. Our marketing loan has operated properly allowing U.S. cotton to be competitively priced to domestic and export customers while providing support to growers through marketing loan gains and avoidance of carrying charges. Our growers market through private merchants and marketing cooperatives that have equal access to the redemption and carrying charge provision of the loan.

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It must be noted that one of the key principles in developing the marketing loan along with other competitiveness features of the cotton farm program was to avoid differentiating values of U.S. cotton in the domestic and export market. We view this proposal as having that effect. Any arbitrary move to differentiate values would be detrimental to grower income.

During the two years in which a substantial amount of cotton has moved through the loan we have seen no disruption in the #2 cotton contract. We have carefully reviewed the response to this proposal by Staplcotn and other marketing cooperatives and fully concur with their arguments regarding specific questions raised in the comment request. In short we see no reason to make these changes and urge their rejection by the Commission.

Sincerely,

Hollis Isbell

Hollis O. Isbell
Chairman