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COMMENT

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

RE: Proposed Amendments to the New York Cotton Exchange
#2 Futures Contract Concerning Micronaire, Strength and
Old Crop Cotton

Dear Ms. Webb:

We are a combination cotton gin in the Eastern part of Arizona who gin approximately 30,000 bales each year. This is over half of the cotton which comes from the eastern part of Arizona. We are in agreement with the proposed amendments related to strength and "old crop" cotton. We are very supportive of this amendment, however we are very unopposed to the amendment concerning micronaire.

Our opposition to the amendment in regards to the micronaire is based upon the belief that the discount for 4.8 and 4.9 micronaire would severely reduce income for growers, without commensurate value being accorded to the cotton trade. The reasoning for this belief is noted in the following points:

1. The discount for micronaire 4.8 and 4.9 would not only apply to cotton certificated for tender, but the discount would inevitably be incorporated in purchase contracts that would cover all production. Currently, just about all export contracts for premium micronaire cotton specify the range of 3.5 to 4.9. Redefining by the New York Cotton Exchange of the "premium micronaire" range from 3.5-4.9 to 3.5-4.7 would inevitably lead to a change in the perception of the "premium micronaire" range from 4.9 down to 4.7. This would negatively impact the growers opportunity to get a premium price for their 4.8 and 4.9 micronaire cotton, which they have gotten in the past. About 40 percent of all U. S. cotton is exported, and in Arizona, about 80 percent of the cotton is exported. A large majority of our cotton is sold through cooperatives such as Calcot and SWIG who export a large portion of their cotton. Due to this fact, a discount for 4.8 and 4.9 cotton would be detrimental to our growers.
2. The percentage of the U. S. cotton crop classed in the 4.8 and 4.9 category varies from year to year, but has not shown an upward trend in the past four years. In 1997, 13.7 percent of the U. S. crop was classed 4.8 and 4.9 micronaire. In 1998 it was 9.2, in 1999 it was 4.0 and in the year 2000 it was 10.6 percent. These relatively low percentages indicates that the 4.8-4.9 micronaire cottons are not an overly burdensome

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factor in the market. It is also worth noting that the average annual micronaire of the U.S. crop since the 1993/94 season has been consistently around a 4.3 average. Taken into consideration the 1998/99 and 1999/00 season which are the exception.

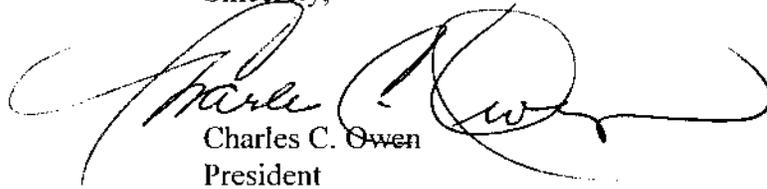
3. In order to put pressure on seed breeders to develop varieties with lower micronaire, the trade is wanting to penalize cotton producers for the 4.8 and 4.9 micronaire. It is worth noting that progression in this direction is already occurring. At a recent meeting between the executive committee of American Cotton Growers and major Cotton breeders it was brought out that breeders have made and are making significant progress towards varieties with lower micronaire and good yields.
4. Growers have complained significantly about the discounts getting larger and fewer premiums for their cotton. My belief is that if there are any problems with the 4.8 and 4.9 micronaire, it is already getting resolved. It definitely does not appear feasible for the trade to continually penalized growers with a permanent discount category for 4.8 and 4.9 micronaire cotton.

I realize there is a question in regards as to whether the micronaire issue fits within the core principles for designated contract markets. However, at the time of the establishment of the Commodity Futures Trading Commission in 1973, it was argued that CFTC should be required to effect specified changes in its rules and practices, as determined necessary for the protection of persons producing, handling, processing, or consuming any commodity traded for future delivery.

It is my opinion that the micronaire issue falls in the category of protecting cotton growers from being penalized because of a temporary situation. The additional penalty for old crop cotton will tend to clear cotton from certificated stocks. Therefore, any undesirable cotton will not be perpetuated on the contract through the practice of "decert-recert", as has been the practice the past three years.

It is my sincere hope you will reconsider the micronaire portion of the amendment, in regards to discounting the 4.8 and 4.9 micronaire.

Sincerely,



Charles C. Owen
President