Underwood Cotton Co.

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From: Underwood Cotton Company
1320 Texas Ave.
Lubbock, Texas 79401

To: Commodity Futures Trading Commission

Purpose: Addition to statement of April 22, 2008

Thank you for arranging the seating in the atrium of the CFTC. I was prepared to stand in the hallway during the entire 6 hour forum on April 22nd, 2008.

While listening to the flow of information at the forum I realized that the gap between the <u>needs</u> of the commercial hedgers and the <u>desires</u> of Wall Street is much larger than I had previously thought.
The message from the cotton industry was clear. We are in need of a major overhaul in the cotton futures market, a "tweak" will not fix our problems.
Our company no longer uses the #2 cotton futures contract for hedging. I feel that my competitors in the industry are facing the same dilemma. There is virtually no hedging in cotton futures at this time.

1. The current margining rules are unacceptable in cotton futures. Cotton has been singled out and placed in an unworkable situation. It is time for outside intervention to bring cotton futures margining to a reasonable level in line with other futures markets.

2. Despite the efforts of the oversight division, the data needed to explain the recent disastrous events in cotton futures is not available to the CFTC. What happened on the night February 29th and the day of March 3rd? Although we can see the aftermath and the final results, we do not have the crucial information to explain the event. Will this event happen again? When? The use of computer trading was supposed to bring transparency to the futures market, yet we have lost ground in this endeavor.

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3. It is disturbing to look at the current list of major stock holders and board of directors for ICE realizing that many of the ICE stock holders are also the largest funds trading in the futures market. I feel that the underlying interest of this group will continue to cause problems for commercial hedgers. Looking back over the last few years there seems to have been systematic change in the rules granting exemptions from speculative limits on the total number of contracts held by funds. Rule changes prompted by the funds and enacted by the CFTC said to create liquidity have also led to the current imbalance of longs and shorts in the market and a disruption of real price discovery. We are now at a place in time where the rule seems to be that there are no rules on funds. Short hedgers report weekly and must account for their actions. Funds voluntarily report but seem to have no restraints.

I have no control over the policies of the ICE or their board or their major stock holders, but the statutes governing the CFTC are very clear. It is time to look closely at the role the CFTC will play in regulating a futures market where the current rules applied to funds are so diluted that they have no apparent effect. The CFTC can not regulate what it can not see. Reporting must be mandatory for everyone.
There is still an obvious purpose for the commercial hedger but it is past time to redefine the role and purpose of all funds now holding exemptions from positions limits.

Respectfully submitted to the CFTC forum as an addition to the previous statement of April 22nd, 2008.

Sincerely,

Alan Underwood
President
Underwood Cotton Company.

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