

COMMENTS OF JOHN BARRETT TO THE COMMODITY FUTURES TRADING COMMISSION

My wife Debra and I are cotton farmers in South Texas, and we wish to submit these comments regarding the Agricultural Forum held April 22, 2008. First of all, I would like to thank the Chairman, Commissioners, and staff for all of their efforts leading to the production of the very successful forum.

It became clear during the meeting that the ICE cotton contract's erratic and unreasonable behavior during early March 08 could not be explained by anyone on the panel. In my opinion the cotton market was "cornered" by gamblers with huge amounts of money immensely greater than the entities the contract was designed to serve. There were many calls for the CFTC to investigate the situation, but since OTC trades and swaps are unreported I fail to see how such an investigation could be conducted. I recommend that the Commission consider a method or strategy to end unreported off the books trading in regulated commodity markets.

A small, but valuable tool which could be used to temper runaway speculation in the cotton contract could be implemented if the CFTC would strongly suggest to ICE that they re-evaluate the location of approved delivery points of certificated stocks against the contract. During the 1920's, at congressional direction, the New York Cotton Exchange (NYCE) moved the contract's sole delivery point from New York City to the current delivery points. This was a wise move because the then new delivery points were located between the major cotton production areas in the south, the cotton textile mills in the southeast, and the major export point at the Port of New Orleans. The cotton contract at that time was well configured to enhance price convergence.

All of that has now changed. Cotton production in the mid-south is greatly diminished. The textile mills in the southeast are disappearing, and no cotton has been exported from New Orleans for many years. Instead cotton production has shifted to Texas and that cotton is moving in the direction of China, either through the Port of Long Beach or the Port of Lazaro Cardenas on the west coast of Mexico.

Accordingly, the currently approved ICE delivery points (concentrated in Memphis, Tennessee) are out of line with the flow of cotton and contribute to divergence between the cash market and the futures market.

In 1995 the Port of Corpus Christi applied to the NYCE to have Corpus Christi (which is on the way to Lazaro Cardenas and China) designated as a delivery point and the application was initially favorably received by the NYCE. The application was eventually vetoed by a very powerful merchant who owns a majority of the approved delivery warehouse space in Memphis and Galveston. This individual was the one at the round table who was screaming the loudest.

Thank you for the opportunity to comment on the Ag Forum.

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