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May 2, 2000

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

COMMENT

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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

Plains Cotton Cooperative Association (PCCA) is marketing annually 2.0-2.5 million bales of cotton for its producer owners. We do not believe a rule change is warranted. We further believe a rule change will have an effect not desired and not in the best interest of market liquidity and price discovery.

Current farm policy allows forgiveness of commodity credit corporation loan principal, storage and interest in market conditions in which U.S. cotton is not competitive with the rest of the world. Without such policy, many bales of U.S. production would not be economically free to market in years of non-competitiveness. It is the competitive mechanisms within the farm bill which frees cotton stocks for price discovery. This mechanism is critical to having free unrestricted trade of cotton in all economic conditions. The Commodity Credit Corporation's competitive provisions do not apply in years U.S. cotton does not incur an economic disadvantage to world cotton.

We believe having more cotton stocks available to the market is preferred to maintain true price discovery with less chance for price manipulation. The New York Cotton Exchange current rules for delivery combined with the limited delivery locations make it a very exclusive and restrictive market for delivery purposes already. Currently, over forty percent of the U.S. certified delivery warehouse locations are owned by one U.S. cotton merchant. If you add together the combined percentage of delivery location space controlled by the largest three U.S. cotton merchants you will find that the potential for price discovery could be severely restricted today.

Finally, you can find no period of time in which the issue described by the New York Cotton Exchange has posed a problem. Plains Cotton Cooperative sees no reason to change current rules. In fact, we would like to see an expansion of delivery locations to better serve the current size of the U.S. cotton production.

Regards,

David Stanford
Vice-President - Marketing
PCCA

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