



Van May, Chairman
P. O. Box 2827 Lubbock, Texas USA 79408
Telephone 806-763-8011 Fax 806-762-7444 email van.may@pcca.com
Representing Staplcotn – Cotton Growers Cooperative – Calcot - PCCA

March 25, 2011

Mr. David Stawick
Secretary of the Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: 76 FR 4752 / 17 CFR Parts 1, 150 and 151 Position Limits for Derivatives

Dear Mr. Stawick:

The four farmer-owned cotton marketing cooperatives which comprise Amcot collectively market about half of the United States' cotton crop each year. We appreciate this opportunity to comment on the Commission's position limits proposal.

The positions that Amcot's members describe in this submission have been developed largely through the experience of the events of late February and early March 2008, which have had a long-lasting and very detrimental effect on cotton markets around the world. In the case of several agricultural commodities, excessive speculation and volatility has rendered the futures market almost unusable for both buyers and sellers of the physical commodity and its end-users because the financial resources required to support both physical and futures positions have become such a burden that they impede interstate commerce.

Our market has become unbalanced over the past three years causing unprecedented volatility and price movement. Title 7, Chapter 1, Section 6[a] of the Commodity Exchange Act states, "Excessive speculation...is an undue and unnecessary burden on interstate commerce..." Thus, the Commodity Exchange Act explicitly recognizes the need for balance between hedge volume and speculative volume, because it recognizes that speculative volume can become excessive. We are also pleased to note that in the background section of the proposed rules the Commission agreed in saying "the capacity of any market...is related to the size of such positions relative to the market and is, therefore, not unlimited." We suggest this is particularly true in smaller markets such as cotton.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) contained several important provisions to address some issues which we believe cause the volatility. However, the Act must be fully implemented in order to provide the relief we believe it can provide. The Act preserved the differential treatment of agricultural commodity futures and other instruments, and we believe that agricultural commodities generally, and cotton specifically, must be treated differently by the Commission to preserve the vital functions of risk management and price discovery that America's agricultural producers rely upon.

As stated in previous testimony before the Commission and in written comments submitted in response to the Commission's advance notice of proposed rulemaking, we support the limitation in Section 737 of the Act to grant exemptions to speculative position limits only to *bona fide* hedgers, and to require the aggregation of position limits across multiple venues.

Congress acted decisively in writing this section, and mandated that speculative position limit exemptions should only be granted to *bona fide* hedgers. We agree with the definition of *bona fide* hedging as described in the Dodd-Frank Act and referenced in the background information of the proposed rules. In the past, exemptions were granted to increasingly broad groups which, in part, drove passage of the Dodd-Frank Act. We support the Commission's interpretation of these new provisions in the proposed rule.

In the case of cotton, and likely all agricultural commodities, we understand and support the need to grant speculative position limit exemptions to swap dealers whose counterparty meets the proposed definition of a *bona fide* hedger. However, we contend that the Commission should grant no other exemptions to these limits, including the denial of exemptions to crop insurance providers, commodity pools, and passive pool participants.

Amcot supports the Commission's proposed use of the legacy limits for the Cotton No. 2 contract and believes that the use of the proposed formula or other methodology is unnecessary at this time. For those commodities, such as cotton, which will have legacy limits in place for both the spot and non-spot months we do not see the need for a phased approach to limit implementation. Our preference would be to deal with it once and move on.

We appreciate the opportunity to offer these views.

Sincerely,

A handwritten signature in black ink that reads "Van May". The signature is written in a cursive, flowing style.

Van May
Chairman