



Van May, Chairman
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Representing Staplcotn – Cotton Growers Cooperative – Calcot - PCCA

August 8, 2011

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

Re: RIN number 3038–AD53 - 17 CFR Parts 1, 5, 7, 8, 15, 18, 21, 36, 41, 140, 145, 155, and 166,
Adaptation of Regulations to Incorporate Swaps

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 proposed regulations published in the Federal Register on June 7, 2011, to incorporate swaps regulation into various parts of Title 17 of the Code of Federal Regulations.

We are very concerned about by the new requirements contained in Subsection 1.35 which would require members of Designated Contract Markets (DCMs) to record all oral conversations which "lead to the execution of transactions in a commodity interest or cash commodity." We oppose such requirements for several reasons:

1. Subsection 1.35(a) places significant, new burdens on Amcot members. Conceivably this requirement would apply to the main offices of the four cooperatives, our field offices and staff. Our interaction with our farmer-members occurs in various ways, among those are: widely-attended grower meetings, one-on-one discussions in our offices, and on-farm visits from our staff. Each discussion may ultimately lead to the execution of a transaction in a commodity interest or the cash market. The compliance costs with this new requirement would be enormous – equipment to record such conversations, records to identify participants in such conversations, and storage to comply with the five year retention requirements.

Unlike some market participants, Amcot members never solicit business from the public. Rather, each and every transaction entered into on behalf of the farmer-members of each cooperative is covered by a membership and marketing agreement, a marketing pool agreement and/or some other documentation which clearly states the rights and responsibilities of all parties. Simply put, the cooperative "is" the producer for title purchases and each transaction conducted by an Amcot member is directly related to fixing the price of the farmer's physical cotton they market through a cooperative.

2. Similarly, Subsection 1.35(c)(2) places similar requirements on each customer of a designated contract market to similarly create, retain and produce documentation of cash transactions underlying exchanges of futures or swaps for cash commodities or exchanges of futures or

swaps in connection with cash commodity transactions. As a cooperative, we act on behalf of our members to achieve their merchandizing goals. The previously-referenced membership and marketing agreement and /or marketing pool agreement eliminates our need to have specific, transaction-based agreements to achieve these objectives. We are unaware of any past transaction on behalf of one of our members where this additional information would have been needed or beneficial. This new requirement would be an unnecessary and costly burden on our members.

3. Section 1(c) of the Cost-Benefit Analysis states that “it is expected that any additional cost imposed by the recordkeeping requirements of proposed amendments to Subsection 1.35 would be minimal for the average large...DCM...because the information and data required to be recorded is information and data a prudent...DCM...member would already maintain in the normal course of its business.” Certainly Amcot members strive to meet or exceed all current applicable recordkeeping requirements. However, when considering that today’s agricultural producer may use mobile communications to transact much of his or her business; we believe that the additional compliance burden is significant and costly. Further, it is not apparent that the Commission has contemplated existing state and federal wiretapping and privacy laws in proposing these new requirements.
4. The Commission has failed to provide adequate justification for these requirements beyond the general statement that they will protect customers from abusive sales practices; protect registrants from risks associated with transactional disputes; allow registrants to follow up more effectively on customer complaints; and preserve evidence that could increase the effectiveness of the Commission’s enforcement actions. The Commission has provided no basis to show that its existing tools have proven inadequate to adequately enforce the Commodity Exchange Act and other statutes. Certainly, the legislative history of the Dodd-Frank Act contains no specific mandate or factual basis for the addition of these requirements.
5. Finally, we do not believe it was Congress’ intent in the Dodd-Frank Act to subject cash purchases and forward cash contracts to the additional new recordkeeping requirements proposed under Subsection 1.35. Further, cash and forward contracts have been excluded from the definition of a swap in the proposed product definitions rule.

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