

NFO Inc.
2505 Elwood Drive
Ames, Iowa 50010-2000
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COMMENT

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Paul Olson
VICE-PRESIDENT
Leonard Vandenburg
TREASURER
Michael Miller
SECRETARY
Richard Ellinghuysen

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OFFICE OF THE SECRETARIAT

June 1, 2000

Commissioner David Spears
US Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Commissioner Spears:

The National Farmers Organization and our grain marketing department oppose the Chicago Board of Trade (CBOT) proposed changes in the daily limits in grain futures and options trading. We are concerned that the implementation, as currently planned, will have an adverse effect on US farmers and grain elevators.

I have enclosed a copy of an NFO letter to the CBOT for your review. The letter was submitted to the CBOT from the NFO grain marketing department.

Best wishes.

Sincerely,



Richard Ellinghuysen
National Secretary

enclosure

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6-1-00

Mr. David Brennan, Chairman
Chicago Board of Trade
141 W. Jackson Blvd
Chicago, IL 60604

Dear Chairman Brennan,

The National Farmers Organization's Grain Department and our member producers, whose livelihood is dependant on a reliable price discovery system, oppose the proposed expansion of the daily trading limits in grain futures and options trading. I believe the proposed changes would be very disruptive to both grain movement in the country and risk management plans of farmers.

Changing to expanded price limits could reduce the number of producers having the financial ability to hedge their grain as a risk management tool. Smaller grain elevators may also be forced to resell grain rather than hedge for protection due to financial restrictions. And this would reduce liquidity in trading grain futures and options.

If a halt to trading were called due to daily limits being met, it would disrupt the normal flow of grain in the country. If grain elevators could not hedge to protect themselves due to this halt, they would not buy grain from farmers. Elevators have expressed to us that if these changes were implemented, they may only buy grain during CBOT trading hours in potentially volatile markets.

In addition to these concerns, if smaller elevators and farmers cannot utilize the CBOT because potential margin requirements make it cost prohibitive; the price discovery mechanism would be broken. With fewer people having the financial ability to stay in the market, there is a greater risk of market manipulation or of cornering the market.

Emotions in the grain trading pit in a volatile market can potentially cause an over reaction to some circumstances. Certainly there is some semblance of protection with price limits. Moreover, with the proposed increased limits, soybeans could move \$1.00 in a day; 50 cents in Project A and 50 cents during the day session. At today's prices, that is a 20% price move in one day! We believe that in extreme situations, farmers could not sell grain because elevators could not hedge.

The NFO Grain department recommends that the CBOT delays implementation of the Eurex system until the system can be modified to comply with current CBOT operational procedures.

Thank you for listening to our concerns. Please contact me if you have any questions.

Sincerely,

Linda Reineke
Grain Department Director
National Farmers Organization
2505 Elwood Drive
Ames, IA 50010

