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WILL COUNTY FARM BUREAU

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COMMENT

June 15, 2000

Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
21st Street NW
Washington, DC 20581

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OFFICE OF THE SECRETARIAT

Dear Secretary Webb:

We have concerns with the Chicago Board of Trade's (CBOT) proposal to increase the daily price limits for the major agricultural commodities. Along with increased daily limits will come increased margin requirements, which will significantly limit the extent to which producers could use futures and options. This will also limit the number of market participants, which will hurt liquidity and hinder price discovery.

We also have concerns with shutting down all trade of certain commodities for the remainder of the trading session, as this would hinder, if not completely stop cash grain trade for that day. In addition elevators would be placed at risk if they continued to purchase grain without the ability to hedge it and much higher protection in their bids will be seen.

We feel that greater margin risk could force smaller elevators into financial difficulty, which will lead to widening their bids to producers in order to increase their operating margins. We also feel that more fees will be charged to producers to simply forward-price their grain or their hedge-to-arrive contracts. Another item is the possibility of the elevator pulling their bids completely during volatile times because they can not afford the additional margin risk.

By shutting down early in session we feel this will overall hurt the CBOT. The reason for this statement is because we see market participants seeking other markets to offset their risk or to conduct business, which would hurt the CBOT's ability of being the leader in agricultural price discovery. We also see an increased likelihood of having producers being forced out of a hedge position resulting in financial loss during a volatile market.

The Will County Farm Bureau would be opposed to this proposed change because of the concerns stated above. We thank you for the opportunity to provide input on this proposal and if you should have any questions please call our office at 815-727-4811.

Sincerely,

Jerry Davidson, President
Will County Farm Bureau

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