

# EDWARDS COUNTY FARM BUREAU®

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June 16, 2000

Jean A. Webb  
Commodity Futures Trading Commission  
Three Lafayette Centre  
21<sup>st</sup> St. NW  
Washington, DC 20581

COMMENT

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OFFICE OF THE SECRETARY

Dear Jean:

I am writing to express my negative feelings concerning the Chicago Board of Trade's (CBOT) Daily Price Limit Proposal. It is my understanding, that the proposal will raise the daily price limits for all major commodities traded including corn, soybeans, wheat, soybean oil and meal, oats, and rough rice. These increases range from 67% to 100% of what the existing limits are.

As an Illinois farmer, I feel these drastic changes in trading procedure are being proposed blindly as to the harmful effects they would have on commodity elevators and producers throughout the nation. Please consider the following points when the CFTC is making their decision on the proposal.

1. Along with increased daily limits will come increased margin requirements. This could eliminate, or significantly limit the extent to which producers and other market participants could use futures and options.
2. Greater daily limits increase the risk that producers and other market participants face. This increases their likelihood of being forced out of a hedge position at a loss during volatile and emotional markets.
3. Greater margin risk could force smaller, under-capitalized elevators into financial difficulty. This could lead to:
  - a) widening their bids to increase their operating margins
  - b) charging fees to producers to simply forward-price their grain, or to use hedge-to-arrive contracts
  - c) pulling their bids completely during volatile times since they cannot afford any additional margin exposure and, eventually, elevator failures or consolidations
4. Shutting down all months of a commodity for the remainder of the trading session does not allow the market to react to changing conditions during the day. This would not allow price discovery to take place.
5. Shutting down early in a session will lead to severe disparity with inter-commodity spreads. For example, if soybeans are shut down for the day but meal and oil continue to trade.

I understand the CBOT's desire to merge with the Eurex exchange. However, I feel it is in everyone's best interest for the CBOT to stall their merger plans until an upgraded software system is in place, where daily price limits can be recognized. Thank you for your time.

Sincerely,

Hubert D. Weber

R.R #1 Box 141

West Salem, IL

62476

*Hubert D. Weber*

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