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COMMENT

June 21, 2000

Ms. Jean Webb, Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1125 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

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**Re: Proposed Amendments to the Chicago Board of Trade Futures Contracts**

Dear Ms. Webb:

The undersigned organizations wish to express our views concerning the proposal by the Chicago Board of Trade (CBOT) to change the daily price limits for agricultural commodities to accommodate the Eurex platform. We strongly believe that the launch of CBOT contracts on the Eurex platform should be delayed until the necessary programming language can be added to adequately handle CBOT daily price limits as they are currently established.

Increasing limits on price movements and implementing a manual response that would close trading for all contract months when any one month reached the limit would have severe consequences to both agricultural producers and grain firms. Our producers believe that the proposal would significantly reduce the utility of both CBOT futures and options markets for risk management purposes by producers and other market participants. Additionally, other exchanges may also find it necessary to modify their daily price limits to maintain a relative balance with the CBOT. This is especially true for agricultural commodities that rely on more than one exchange for price discovery of key components of their production such as the feed grain/livestock markets, or where arbitrage among commodities is a necessary risk management component between similar or substitute commodities such as various classes of wheat.

We are also concerned that the proposed change could increase volatility and would result in significant upward adjustments in margin requirements for producers and grain elevator companies reducing their ability to utilize exchange products to offset their market risks. At the very least, this could cause elevators to charge their customers additional fees to cover increases in margin exposure, and force producers to maintain higher levels of reserves in their trading accounts. During this time of depressed farm incomes, the possibility of increased marketing costs is an undesirable outcome for those seeking to enhance competitive efficiency through risk management activities. Just as disturbing is the possibility that the increased margin exposure could lead to more consolidation in the grain industry as those less able to meet margin requirements are forced to withdraw from competitive market participation during periods of market volatility.

Throughout the years, we have devoted considerable resources to teaching our members the value of futures and options markets, including those provided by the CBOT, as effective and appropriate risk management tools. This proposal will severely reduce the progress achieved in the application of risk management education principles in recent years.

The problems created by either of the daily price limit changes far outweigh the advantage of getting CBOT to list its contracts on the Eurex platform as soon as possible. We urge CFTC to deny the proposed contract amendments.

Sincerely,

American Farm Bureau Federation  
National Association of Wheat Growers  
National Cattlemen's Beef Association  
National Corn Growers Association  
National Farmers Union