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COMMENT

Harry Bormann
05/26/00 11:45 AM

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OFFICE OF THE SECRETARIAT

Subject: Proposed Expanding Trading limits on Grains

Sirs: I'm Harry Bormann, Grain Merchandiser for West Bend Elevator Co, West Bend, Iowa. We are a farmer-owned cooperative in Northern Iowa. We have 2,100 members and handle annually 25,000,000 bu of corn and 5,000,000 of soybeans. We also have a producer grain marketing advisory subsidiary, North Central Agri-Services.

Our company is a 100% hedger, we do not back-to-back sell any grains. We trade with FCC. I want to address my concern as to the proposed expanded limits on grains. I see this increasing our cost of using the CBOT. Increased limits equals increased volatility, which equals increased margin requirements. We have been approached by grain companies and end users as to using the actual cost of crop production for the base price of corn. This would greatly reduce our use and dependency on the CBOT.

On the producer side of expanded limits, I see this reducing their use of the CBOT. Our producer advisory group, North Central Agri-Services was established this winter. We currently have 68 producers committing 1,300,000 bu of corn, 330,000 bu of soybeans, 1,200 head of cattle, and 6,000 hd of hogs to our CBOT hedging program. This program has the producer hedged when the markets are in a downtrend, and open (unhedged) when the market is in an uptrend. We use a basic technical trendline as the basis of when to hedge or unhedge their production. Most producers, as well as their lending institutions, do not like or trust the CBOT. It has been an uphill battle convincing them to look at using the CBOT for price risk management. It has been my experience over the past 25 years in the grain business, that expanded limits have never worked in the producers favor. If the producer is presented with more market volatility, increased margin requirements, coupled with an established lack of trust, I believe it will drive them to use more production contracts and less, if any, use of the CBOT.

It appears to many producers that the CBOT doesn't want producer business. They refer back to July 1999 when the CBOT allowed the Funds to increase the amount of contracts they could control. The market dropped to 12 year lows in corn and 20+ year lows in beans in 2 short weeks. Actions like this further erodes the producers confidence in using the CBOT for risk management. Many think the CBOT ("Land of Oz" as one calls it) is only for the "big boys" or the Funds. I would have to agree recent actions by the CBOT indicate this trend. The information provided by the CBOT as to the reason for expanding grain limits indicated that the computer system couldn't handle the current price limits. In this age of rapid technology, using computer capability as a issue is unbelievable. I have encouraged my producers to call, write, or e-mail the CBOT with their thoughts and concerns on this subject.

My e-mail must not have went through.

Please Read and respond.

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