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STONINGTON COOPERATIVE GRAIN CO.

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Records Section

Ms. Jean A. Webb
Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street N.W.
Washington, D.C. 20581

COMMENT

March 31, 2000

Re: Merchant's Exchange of St. Louis

Dear Ms. Webb,

We are aware that the Merchant's Exchange of St. Louis has proposed a barge freight futures contract to the CFTC. This new contract would be of great benefit to country grain elevators.

Stonington Cooperative Grain Company is a mid-sized country elevator with approximately 7 million bushels of storage. In an average crop year, our total grain volume will approach 10 million bushels, comprised primarily of corn, soybeans and wheat. Our geographical location is 25 miles south of Decatur, Illinois. The primary receiving markets are processors in Decatur and the export market via St. Louis, Missouri. Both are accessible by rail and truck.

In the past, our efforts to use the CIF market as an arbitrage medium have been less than efficient due to an inability to lock in barge freight. There are many times, including this year, when the deferred CIF market and the local processor markets are out of line. History indicates that when the deferred becomes the present, their alignment will become competitive. If we were able to purchase freight efficiently and competitively, our bids to the farmer could improve. In addition, if the processor market were to be an arbitrage advantage in the future, we could effectively offset the CIF and freight futures position capturing more gains for the cooperative.

In this period of mergers and acquisitions, it is more difficult to merchandize grain as competition dwindles. Much of the country grain elevators survival is going to be based on its ability to utilize the whole market and not become locked in to one delivery point. This contract may not reverse the trend but it certainly will add some competition to an industry that is currently controlled by a few. The freight contract may lead to a CIF basis contract. That would even the playing field more, enhancing the delivery system and making cash grain trading as competitive as the current ag futures already do for macro price discovery.

We appreciate the opportunity to comment on the Merchant's Exchange proposal. This new contract will certainly be a benefit for those of us that can see opportunity but, because of our size, location and other barriers, are unable to capture all that the market is willing to provide.

Respectfully,

Tom Johnson
General Manager

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