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# COMMENT

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secretary

**From:** James Ehrhardt [ehrfarms@btc-skynet.net]

**Sent:** Thursday, June 15, 2000 9:07 AM

**To:** secretary@cftc.gov

**Subject:** Proposed Limit Hikes

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OFFICE OF THE SECRETARIAT

Dear Secretary Webb:

I write to express my **strong opposition** to the proposed raising of daily trading limits for grain futures and options. I question why limits should be raised solely because it causes merger problems with a system which does not have limit capabilities. It would be much wiser to correct this problem prior to the merger and leave current limits in place.

I see several problems resulting from increased limits. One is that limits are high enough in the first place. Raising them would only put producers and grain dealers at even higher risk due to daily price fluctuations. One need only look at the current weather market to imagine the dire consequences of such a change. Limits are in place for the good reason that they temper changes in the market to give the market time to analyze information. This in turn limits **undue fluctuation** that can result from, for instance, rumor or panic. As a producer and seller in the cash market, I need this type of protection. It is already difficult enough for the producer to use futures contracts with the current limits. The margin requirements would become excessive with an increase in daily fluctuation limits. The same would be true for the grain elevators. The strain on their budgets and lines of credit to cover margin accounts will be a detriment to the industry.

Based on what I have read, this change could also lead to a stoppage of trading during the trading session affecting anywhere from one to all contract months. This would do nothing to assist the Board of Trade's primary function...that of price discovery.

Since the founding of the Chicago Board of Trade, this system has striven to be a fair and equitable system for both buyer and seller. It has been a model for the entire world. It is the job of the CFTC to see that equity is protected within this system. The proposed changes in trading limits, in my estimation, would serve no purpose in furthering this equity. I urge the rejection of these proposed changes. Thank you.

Sincerely,

James E. Ehrhardt

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