GRAIN & FEED ASSOCIATION *of Illinois*

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COMMENT

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Jean A. Webb
Secretary, Commodity Futures Trading Commission
Three Lafayette Centre
21st Street, NW
Washington, DC 20581

Dear Secretary Webb:

The Grain and Feed Association of Illinois submits this statement in response to the Chicago Board of Trade's proposal to increase the daily price limits of the major agricultural commodities.

The Grain and Feed Association of Illinois is a statewide trade association for the grain and feed industry. The association is made up of nearly 355 companies representing over 1,025 facilities in the state of Illinois and the neighboring states of Wisconsin, Indiana, Missouri and Iowa. Members of the Grain & Feed Association of Illinois represent over 90% of the commercial grain storage space in the state. Membership consists of feed dealers, feed manufacturers, grain brokers, country and terminal grain elevators, truckers, wheat millers and both corn and soybean processors. The Grain and Feed Association of Illinois is an affiliate of the National Grain and Feed Association and supports the American Feed Industry Association and the Grain Elevator and Processors Society

It is our understanding that one of the arguments for increased limits, or even no limits, is that the futures markets are prevented from true price discovery during periods of high volatility. While we do agree with this premise in theory, we do not understand how halting trading of *all* contracts of that commodity for the remainder of the session will bring about the desired function of the Chicago Board of Trade to offset risk. We are strongly opposed to both the halt of trading and the manual system proposed by the CBOT. In our eyes, a manual system of stopping trading is a step backwards, not a move forward to a more efficient marketplace.

In addition, the halting of trading puts significant risk on the grain industry. This is illustrated by the example of grain being purchased from a producer(s) but trading is halted just before the risk is able to be laid off in the futures market. This could lead to the industry pulling their cash bids until the market reopens and they can again hedge their purchase. We wonder if someone on the floor of the CBOT has an order that is limit up and they know it will halt trading for the day, will it receive the same expedient, efficient handling that other orders may receive?

We believe that the increased limits and the halt of trading puts significant financial risks on the grain handling industry. An anticipated outcome during high volatility would be increased maintenance margins and variation margins. This increase in capitol requirements could have the following effects:

- Prevent smaller companies from being able to actively participate in the markets, which would lead to increased consolidation in the industry.
- Take away from companies working capital causing problems with cash flows, lines of credit and grain dealer licensing requirements.
- Increasing of operating margins, which would reduce cash bid to producers.
- Cause the industry to start charging fees for forward pricing grain or other types of contracts that are currently offered simply as a service to our customers.

Should the CFTC decide to allow this proposal to move forward, we believe, that at the very least, the CBOT should be required to ***rapidly*** develop the appropriate software language to allow trading in limit up markets and not stop other contract months in the same commodity from trading.

Again, our concerns are the *result* of these changes and not the theory behind true price discovery. The Grain & Feed Association of Illinois appreciates this opportunity to convey its views on this important matter. Please contact us at (217) 787-2417 if you have any questions or need any additional information.

Sincerely,

Jeffrey D Adkisson

Jeffrey D. Adkisson, CAE
Executive Vice President