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COMMENT

April 6, 1998

Brooksley Born, Chairperson
Commodity Futures Trading Commission
1155 21st ST, NW
Washington, D. C.

COMMODITY FUTURES
TRADING COMMISSION
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Dear Commissioner Born,

Recently, the CFTC published a "concept release" in the Federal Register for comments on non competitive futures trading to include off floor negotiations and execution of futures orders. I strongly oppose any such action by the Commission and urge the CFTC to disband any consideration regarding non competitive futures trading.

Since graduating for Indiana University in 1971, I have spent my entire career in agriculture having merchandised cash grain from 1971 through 1975. In 1975, I came to Chicago to begin working for Geldermann, Inc., servicing commercial grain customers from the trading floor of the Chicago Board of Trade. I have been a member of the Chicago Board of Trade since 1975 and continue to work from the trading floor servicing agricultural commercial customers today. In talking to the cash grain customer I have, not one customer I have supports non competitive futures trading.

The reasons for opposing non competitive futures trading is that non competitive futures trading would greatly reduce, if not eliminate price transparency. Non competitive futures trading would have a major impact on the liquidity of the futures markets and would cause fewer, not more participants in the futures markets. With a reduction of both price transparency and liquidity, price discovery would be jeopardized. With the loss of price discovery, agricultural futures trading would end up on the same level as the way lettuce and tomatoes are traded today. When we consider the large amount of homogeneous units involved in the production of corn, wheat and soybeans, the efficiency of our markets would be lost not only in the domestic production of end products but in the export channels as well. The very essence of the United States success in agriculture is because of the efficiencies as a direct result of price discovery. And price discovery is strongly dependent on price transparency.

Throughout my career of 27 years, I have seen a variety of regulations that have surfaced by numerous government agencies. Every new regulations enacted was with the common purpose that "all parties in the marketplace should have access to information at all

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times.” For example, the USDA requires that export sales must be reported within 24 hours of making a sale. The purpose for such reporting is to better inform those in the trade. The USDA not only releases export inspection every Monday, but export sales for the week are released every Thursday morning for the primary purpose of making trade information available to the public. The CFTC releases a bi-monthly commitment of traders report giving a breakdown of the longs and shorts in the market by commercial, large speculator and small speculator. Why? To inform the public. Currently there is a push for USDA to report meat exports on a “daily” basis. In every example, the result has enabled the public access to information that otherwise would not be available. Access to information results in better informed decisions by all market participants be it commercial or speculative. With non competitive futures trading, we will be extracting the very essence one of the cornerstones of the market and that is knowledge. We are living in the age of technology. Everyone today is in search of more information, not less. With the implementation of non competitive futures trading, we would be taking a major step backward with regards to informing the public, price transparency and price discovery.

Non competitive futures trading does not serve the commercial grain business. The country shipper and the American farmer has consistently opposed anything that diminishes price transparency. Small to medium size grain companies are not in favor of non competitive futures trading because of the distortions it will cause to price discovery. The only benefactors to non competitive futures trading are a few large commercial grain companies. Their interest in non competitive futures trading is either for economic reasons or because they would prefer to hide what they are doing in the open outcry process. When we consider all of the country elevators, small to medium grain companies and the farmer and look at the overall dollar value of the agricultural products that are sold and merchandised, it is clear that for what is at stake for the “silent majority” far outweighs any benefit that may arise to the few major grain firms.

Of course, there is the approach that non competitive futures trading could be enacted at different levels. For that reason, we need to keep in mind the theory of the “boiled frog.” If you take a frog and put it in a pot of boiling water, the frog will do everything possible to get out of the boiling water and survive. However, if you take the same frog, place it in a pot of tepid water, and gradually raise the heat to a point where the water begins to warm and eventually boil, the same frog will not put up a fight at all, but will gradually fall asleep and die. Any form of non competitive futures trading is synonymous with “the frog only in tepid water today.” Non competitive futures trading needs to be evaluated solely on whether it benefits all parties in the agricultural community. Will non competitive futures trading lead to more informed decisions by the participants of the futures markets? Unless the answer is an unequivocal “yes,” then any derivative of non competitive futures trading must be opposed.

Besides being a member of the Chicago Board of Trade, I have been active in the National Grain and Feed Association for the past twenty years and am currently serving my fourth, three year term on the Board of Directors. However, my opposition to non competitive

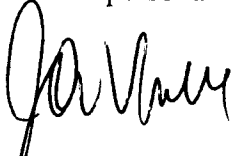
futures trading is neither as a member of the Chicago Board of Trade, nor the National Grain and Feed Association, but as an individual who has been involved in agriculture for my entire career and who has the highest regard for price discovery. The efficiencies agriculture enjoys today because of price discovery and price transparency is a result of the leadership in the futures industry for generations past. It is essential that we continue to combat any proposals that jeopardizes price discovery, price transparency and the integrity of the pricing mechanism established over the last 150 years. Although there are many individuals more qualified to address the issue of non competitive futures trading, I am compelled to write to you because of the serious implications that would result in the agricultural markets if non competitive futures trading is enacted.

Under the Commodity Exchange Act, the CFTC was formed primarily to protect the public's national interest in the reliability of the pricing mechanism in futures trading. Over the years, the CFTC has been diligent in their duties regarding many issues directly related to price discovery and price transparency. There can be no better way for the CFTC to continue its diligence than by opposing any and all types of non competitive futures trading.

Please call me if you have any questions as I would welcome the opportunity to speak with you personally on this subject.

Thank you.

Kindest personal regards,

A handwritten signature in black ink, appearing to read 'Jake Vrabel', written in a cursive style.

Jake Vrabel

cc: Patrick Arbor
Kevin McClear