

NATIONAL GRAIN TRADE COUNCIL  
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October 19, 1998

SECRETARIAT

Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

## COMMENT

Dear Sir or Madam:

The National Grain Trade Council submits these comments in support of the Commission's proposal to increase federal speculative position limits. The Commission published a proposed rule in the *Federal Register* of July 17, 1998, titled "Revision of Federal Speculative Position Limits and Associated Rules." The proposal would increase the speculative position limits for various agricultural commodities. Subsequently, the deadline for public comment was extended until October 19, 1998.

The Council is a national trade association whose voting members are grain exchanges, boards of trade, and national grain marketing associations. The Council's associate members are grain companies and related businesses, including futures commission merchants.

The Commission in 1993 made a number of changes in the framework for speculative position limits. At that time, the Commission outlined a three-step plan to increase position limits. The first step of that plan became effective in 1993 and the second step was implemented in 1994. The rule the commission proposed on July 17, 1998, would increase the position limits by the third and final step originally envisioned. This third step would increase the limits for many grains and oilseeds by roughly one-third in the non-spot month and for all months combined. The proposal would leave unchanged the current limits in the spot month.

The Council supports the Commission proposal. We believe the Commission followed a prudent course in implementing the limits over several years in several steps. That approach has allowed the effect of the increases to be evaluated. Council members have seen no negative effects in the marketplace from the increases implemented in steps one and two. It is likely that the increases have enhanced liquidity in the deferred months of the contracts. The Commission's proposal retains an important safeguard in keeping the limits for the spot month unchanged. This should encourage orderly markets as the contract is liquidated.

Respectfully,



Robert R. Petersen  
President

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