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Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

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September 28, 1999

COMMENT

Dear CFTC Secretary:

Re: Agricultural Trade Options

As a large regional grain company, and a potential ATOM, The Andersons, Inc. appreciates the initiative of the CFTC to consider streamlining the regulatory and paperwork burden relating to the initial lifting of the ban on off-exchange agricultural trade options.

We have reviewed the proposals to revise the rules. We commend the CFTC for making a genuine effort to develop a workable solution for a pilot program that participants will actually use. The elimination of the delivery requirement, allowing for cash settlement is a very positive change. In addition, the changes to registration, reporting and risk disclosure are positive changes. We believe that if adopted, the proposed revisions would likely result in some registrations and transactions in ag trade options. However, even with the enacting of these new proposals, we are not certain that the likely level and breadth of activity will provide a meaningful indication of need, interest or ultimate volume of ATO activity. **At this time, it is still unclear whether The Andersons, Inc. would proceed to develop offerings in trade options, or register as an ATOM for reasons below.** We urge you to study our comments, and consider whether additional modifications should be made at this time.

* The CFTC has still not definitively drawn a line between exempt cash contracts and trade options. As a result, potential ATOMs have to be concerned about the cost and complexity of the reparations process not only as it relates to their ATO activity, but they will also be concerned that traditional business could be drawn into the ATO reparations process. The cash grain industry has relied on a time-tested process of arbitration to settle disputes. We believe it to be fair, fast and economical. Potential merchants will not wish to risk having this benefit compromised. We believe that exposure to CFIC reparations on ATO transactions, and the specter that this may extend to other trade activity will stop most potential commercial users of ATOs from entering into such transactions, and may stop them from signing up as ATOMs.

* The requirements for a CPA audit and annual reporting of activity to CFTC / NFA will be an expensive and time-consuming challenge. As a result, ATOMs may feel compelled to limit the breadth and depth of their offerings. Again, with no bright-line definition, where does the reporting stop? What will be considered proper format and detail? What penalties will be enacted relating to non-compliers or incomplete information? What is the plan for the post-pilot period?

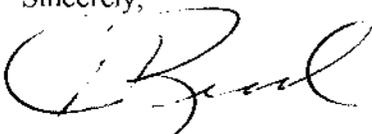
* The regulatory exemption is set at a level where all but a very few of the largest farms and potential ATOMs will be subject to regulatory oversight. We feel that the exemption level could be significantly lower, allowing for a more robust trade to evolve, yet still not compromise the objectives of the CFTC. We do not understand the reasoning for this exemption level to be set so high in comparison to non-ag trade options and swaps. Does the CFTC intentionally wish to establish such a wide differentiation between large and small players?

* The restrictions on farmer selling of put and call options will not impact all potential ATO offerings. However, we believe that it will significantly reduce producer participation. We believe that the rule is poorly conceived, and unnecessarily limits certain producers from some very reasonable risk management strategies. Again, why are agricultural interests so different from other potential users of ATOs? What is the plan for the post-pilot period?

* We suggest that the CFTC consider developing a regulatory scenario that will be enacted following a successful pilot period. We favor scaled back regulations with the ultimate objective of placing ag trade options on a similar footing as trade options in other commodities. The development of management and reporting systems both before and after the pilot program will entail significant time and expense. Will the industry always be subject to NFA registration and CFTC reparations? We believe that any "forward look" provided by CFTC might significantly facilitate this process.

The Andersons, Inc. appreciates the opportunity to respond to the proposed rulemaking regarding agricultural trade options. We remain convinced that a workable solution is not only healthy for our industry, but is also strategically important to the longer term viability and growth of Agriculture in general in the US. We urge you to consider the input we have offered as you proceed. Finally, we pledge our willingness to participate in other ways that would be constructive to development of new risk management tools for agriculture.

Sincerely,



Harold M. Reed
VP - General Manager, Grain Division
The Andersons, Inc.