COMMENT

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secretary

From: Texas Merchandising [texmer@solve.net]
Sent: Thursday, January 17, 2008 5:19 PM
To: secretary
Cc: dougprice@pobox.com
Subject: Position limit increases at CBOT

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Thomas P. Gugger, Pres.

Texas Merchandsing, Inc.

1600 NE Coronado Drive

Blue Springs, MO 64013

Mr. David Stawick

January 16, 2008

Secretary
Commodity Futures Trading Commission
Three Lafayette Plaza
Washington, D.C. 20581

Re : CBOT Position Limit Increase Proposal #FR 65483

Dear Mr. Secretary,

I am the owner of a small grain merchandising company that has been trading cash grain, mostly corn and sorghum, in the Southwest grain markets since 1991. Previously, I had been employed as same at the Pillsbury Company
beginning in 1982. I am well qualified in my understanding of the cash grain markets and their derivative cousins, the futures markets, at the CBOT; and so, I hope that you will take the time to read this letter carefully.

The grain futures markets were spawned originally from the cash markets. It was the cash market, where real physical goods were exchanged between buyer and seller, user and producer, that birthed the futures market. The futures market was developed to provide a vehicle wherein both grain producers and users could offset risk in future months' cash transactions. Obviously, without a healthy cash market, the futures market would have no reason to exist. Please keep this fundamental truth in mind as we come to the heart of the matter :

The proposed limit changes are the continuation of a pattern of destruction to the grain markets, in my view, that started about 18 months ago.

Up to that time the CBOT and CME both were owned and controlled by its members. These members were primarily people from the cash markets, agribusinesses, and agricultural backgrounds. As you know, the two exchanges have now merged and the CME is traded publically, so the old membership no longer calls the shots. This change of ownership, in my view, explains why the position limit changes of 2006 went through with nary a discussion. Since Wall Street money was now involved, any local objections were obscured. This event reminded me of the UP railroad "merger" with the SP, and the BN "merger" with the ATSF back in the late nineties. With very little debate, two railroad giants succeeded in creating a duopoly which has effectively ended price competition west of the Mississippi. If you don't believe me, freight price histories are a matter of public record, and I invite you to do some investigation.

As far as a second increase or doubling of position limits is concerned, the same detriment would be inevitable. That is, price discovery, which has heretofore been the product of transactions between legitimate grain end users, producers,and other cash market participants would become further subjugated to a wide host of unrelated outside forces. These outside forces such as Hedge and Index funds want to use our exchange as a means to unload their own risk in shaky and, in many cases, fraudulent financial instruments that have nothing to do with Agriculture. Granted, a certain amount of participation of this type is normal and quite healthy for our Grain markets. However, the point at which we are presently has, in my view, exceeded this level. As President of this firm, I no longer view the Corn market at CBOT as a realistic place to manage (hedge) risk. This view stems from the fact that the relationship of the futures market to the real world of Cash business has been severely compromised. A conduit of liquidity linking CBOT to Wall Street made possible via the present absurd position limits has metamorphosed CBOT corn futures into a proverbial brothel where the risks assigned to new financial inventions such as Collateralized Debt Obligations, Mortgaged-Backed Securities, sic Sub-Prime fiasco, can now be transferred to the Grain Markets where they interfere with legitimate Price Discovery.

Many of these financial creatures did not even exist 10 years ago.

It is the responsibility of the CFTC to provide the proper boundary line, the correct degree of insulation (not to be read as Isolation) to preserve the integrity of our futures Exchange. Although in my view this boundary has already been exceeded, I trust that you will act in a dutiful manner to block this proposal and protect what remains of one of the very best examples of the ingenuity and efficiency of American Market Capitalism.

Sincerely,

Thomas P. Gugger

Texas Merchandising, Inc.