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OFFICE OF THE SECRETARIAT

January 21, 2009

David Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21st Street, NW  
Washington, DC 20581

RE: CBOT Rule Amendments to Limit Holdings for Non-Commercial Purposes in Delivery Instruments - CBOT Submission No. 09-001 (Advisory - CBOT RA0901-1)

Dear Mr. Secretary:

We write to express our concern and opposition to the proposed changes in the use of delivery instruments by the Chicago Board of Trade (CBOT).

As a large user of physical commodities, we rely heavily on the CBOT futures markets for risk management and price discovery. It is well-documented that several agricultural commodities, especially wheat, have severe difficulties with convergence. This lack of convergence greatly limits the effectiveness of the contract. We encourage the CME Group (CME) and the CFTC to continue focusing on improving convergence, and we have worked aggressively to come up with additional solutions to restore contract performance as well.

However, the proposal before the Commodity Futures Trading Commission (CFTC) today will do little to improve convergence, contains some serious flaws and, under certain market conditions, has the potential to add more uncertainty and further limit the functionality of the covered futures contracts.

First, the proposal does not directly address the convergence issue. It does not strengthen the market relationship between futures and cash markets during the delivery period. The limitations proposed in the amendment will result in smaller holdings for all participants in the market during the delivery period. The positive returns from holding futures delivery certificates will continue to attract capital to own these certificates. This proposed rule will only change the number of participants, not the underlying economics. Minor improvements in convergence may occur in order to attract additional owners of delivery certificates. However, nothing in this proposal seeks to directly restore the market economics that would improve convergence and naturally limit participation during the delivery period if cash prices and futures prices were correctly linked.

In addition, the amendment adds great subjectivity into the futures markets when demand for physical commodities is strong and market signals indicate that the futures markets may be the most economic method to access physical commodities. While this situation does not occur often, under today's rules these market situations are handled effectively and objectively with proper monitoring by the CFTC and the CME. The proposed amendment adds great uncertainty at a minimum, and in the worst case scenario, will cause the contract to severely weaken its function of price discovery as entities seeking to fulfill physical commodity requirements may be prohibited from utilizing CME futures contracts.

We continue to encourage both the CME and the CFTC to seek modifications that will improve the convergence of agricultural contracts. It is our hope that the proposed CFTC panel on convergence will bring market participants, with a strong emphasis on those physically involved as buyers and sellers, together to help develop realistic solutions.

The CFTC should suspend the implementation of this proposal. It is inappropriate to approve this amendment without thoroughly analyzing and reviewing the recommendations of the CFTC's convergence panel. Thank you for your attention to this important issue.

Sincerely,

A handwritten signature in cursive script that reads "William M. Hale".

William M. Hale  
Senior Vice President  
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WMH/lam