

secretary

From: Glen Semple
Sent: Tuesday, May 03, 2011 6:00 PM
To: secretary
Subject: CBOT Corn Price Limits

I am a loan officer with grain elevators and end-users as customers. The proposal to increase the daily limit on corn futures contracts will require hedgers to hold much higher levels of working capital and arrange larger lines of credit in order to be in position to withstand the increased price volatility.

This proposal will increase the cost of doing business through higher margin requirements, higher interest costs due to larger borrowings, higher unused commitment fees charged by lenders, and will reduce the willingness of merchandisers to offer forward contracts to producers due to the higher price volatility.

If approved, this proposal will widen the basis between cash and futures prices to account for the increased costs. If the costs of using the futures markets become too high in both real and imputed terms, then the market will no longer function as intended and merely become a speculative casino and thus would not serve its intended purpose of price discovery and price risk transfer.

I find it interesting that the CME Group says that market participants support the increase (page 2 of letter dated April 26, 2011 to CFTC). The letter goes on to cite index dealers. The futures market was developed to allow participants who own or contract for future ownership of physical commodities to hedge price risk and for discovery of prices for future periods of time. Index dealers and speculators are not why the futures markets exist, they are involved to provide liquidity by taking the opposite side of the hedger's trade and assist in price discovery.

There are benefits to having the 'time-out' of a limit to allow more rational price discovery vs. emotional momentum carrying the price beyond the rational price. While this lack of trading may hurt the CME since it makes money on trading volume, I find no interest by my customers in seeing the limits increased.

I urge you to reject the CME's request.

Glen Semple
Vice President - Commercial Lending
Farm Credit Services of Illinois
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2176