GRAIN & FEED ASSOCIATION of Illinois

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February 4, 2009

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: CBOT Rule Amendment to Limit Holdings for Non-Commercial Purposes in Delivery Instruments Underlying Corn, Wheat, Oat, Rough Rice, Soybean, Soybean Oil and Soybean Meal Contracts – CBOT Submission No. 09-001

Dear Mr. Secretary:

The Grain and Feed Association of Illinois believes the CME Group's proposal to limit holdings of delivery instruments is bad policy and as such we are writing to oppose this proposal. We applaud the CME Group in recognizing and identifying the problem and how it negatively affects convergence; however, attempting to limit participation goes directly against free market fundamentals. As the state organization with the most grain attributable to the Illinois waterway delivery system, the members of the Grain and Feed Association of Illinois have a keen understanding of the delivery system and delivery economics.

The real solution is to substantially increase storage rates for corn, soybeans and wheat. By doing this, free market forces will decide who participates and to what degree they wish to participate.

The country grain elevators are facing significant challenges which could be solved efficiently by increasing storage rates. To explain, the ongoing banking crisis has increased the country elevator's borrowing costs this year; this is due in part to the unreliability of convergence between cash and futures. Fees to borrow are rising to the point where some may see a doubling of interest costs to finance inventories.

If no action is taken, spreads will not widen and the basis will continue to be hurt. Thirty years ago storage rates in the delivery market were 4.8 cents per month and new storage construction costs were 60 cents per bushel or less. During that time we had excellent convergence. Currently, new construction costs are approaching 2.00 dollars per bushel and the storage rate is 4.5 cents per month. The current storage rates are inadequate and as a result, they do not provide the necessary return on capital to encourage storage to be built. If the return on capital was sufficient, the space would be built to hold the grain off the market and cause convergence. Since the return is not there, convergence is not occurring.

The banking community needs reassurance that cash and futures will converge more frequently. Without that reassurance, the grain handling industry will continue to see increased borrowing costs and a further tightening of credit availability. It seems straightforward that simply by increasing storage rates in the delivery market it will allow the spreads to widen which will increase the return on investment resulting in more storage built. When more storage is built, there is more space to hold grain off the market, causing convergence to occur more frequently and consistently.

Limiting the non-commercial use of shipping certificates will not cause convergence to occur more frequently and consistently. The country grain elevator industry needs the CME Group to take action and increase storage rates.

The Grain and Feed Association of Illinois is made up of nearly 235 companies representing over 950 facilities in the State of Illinois and the neighboring states of Wisconsin, Indiana, Missouri and Iowa. Over 90% of the commercial storage space in the State of Illinois is represented by the Grain and Feed Association of Illinois. Our members range in size from multi-national organizations to small, single facility operations. Membership consists of feed dealers, feed manufacturers, grain brokers, country and terminal grain elevators, truckers, and both corn and soybean processors. In addition, there are over 150 members allied to the grain and feed industry. They include banks, construction companies, futures brokers, accounting firms, insurance companies, equipment suppliers and others.

We respectfully ask the Commission to deny this Rule Amendment and encourage the CME Group to increase storage rates to a level more representative of today's market place.

Sincerely,

Jeffrey D. Adkisson

Jeffrey D. Adkisson, CAE
Executive Vice President