

secretary

From: NoReply@cftc.gov
Sent: Friday, September 23, 2011 3:07 PM
To: secretary
Subject: CFTC Public Comment on IF 10-017

A comment has been submitted on IF 10-017

Submitter Name: Mark Haar

Submitter Email:

Submitter Organization:Kraft Foods Global, Inc.

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Submitter comment: Re: CBOT Submission No. 11-330 Specific to proposed change No. 3 on page one of the submission: "Remove language in the Rulebook requiring River delivery facilities to be connected by railroad service." Dear Mr. Chairman: Kraft is one of the largest domestic end users of soft wheat and is an active user of the Chicago wheat futures contract, as well as an occasional taker of delivery wheat. Kraft Foods has just been made aware of the CBOT proposed change No. 11-330, specifically the section on page three cited below. Current contract specifications indicate all wheat delivery facilities must be connected by railroad tracks. In 2009 the Exchange added barge loading facilities on the Ohio and Mississippi Rivers as regular delivery territories. Since the mode of load-out at these facilities is a barge, failure to exclude these facilities from this rule was an oversight. CBOT Rule 141 09B specifies that shipping certificates issued from these facilities must provide barge loading facilities and CBOT rule 703.C.B specifies that these facilities load-out rate is based on barge loading. 14109B Delivery in the St. Louis-East St. Louis or Alton Switching Districts, on the Ohio River, and on the Mississippi River must be by shipping certificates at regular facilities providing barge loading facilities and maintaining water depth equal to the average draft of the current barge loadings in the St. Louis-East St. Louis and Alton barge loading districts, and equal to the average draft of the current barge loadings along the Ohio River, and along the Mississippi River, respectively. 703.C.B The load-out rate for regular Wheat facilities in the St. Louis-East St. Louis and Alton Switching District and on the Ohio and Mississippi Rivers shall not be less than one (1) barge per business day. Barge load-out rates for corn, soybeans, and wheat in facilities in the St. Louis-East St. Louis and Alton Switching District and on the Ohio and Mississippi Rivers will be at the shipping station's registered daily rate of loading. Correction of this oversight (Le., not requiring barge loading facilities to be connected by railroad tracks) does not affect the contract as all current barge loading facilities are connected by railroad tracks and there are no actual or, as far as the Exchange is aware, pending regularity applications from facilities without rail connection. We are concerned about the impact such a change may have on the viability of the CBOT Wheat contract. As you are aware the Chicago soft wheat contract is primarily a domestic contract unlike corn and soybeans. The CBOT proposed language change will eliminate the current requirement of wheat delivery elevators on the Ohio and Mississippi Rivers to load railcars if requested. This is currently made possible by CBOT rule 14109.A, which states that "all facilities regular for delivery of Wheat shall be connected by railroad tracks with one or more railway lines". The river facilities are now a significant portion of the wheat delivery market. Changing the rule to a barge only requirement will effectively remove this important part of the wheat delivery market from virtually all domestic end users, who would require rail loadout. We believe that excluding milling and baking manufacturers such as Kraft and other domestic users of soft wheat, such as livestock feeders, from a significant portion of the delivery market, will result in increased wheat costs. We believe this could result in higher prices to consumers. Recent changes to the contract, such as VSR(Variable Storage Rate), have already had detrimental consequences to the domestic

end user of wheat. The latest proposed change will further shift the wheat contract advantages to the warehouseman that stores wheat and away from the end user or taker of delivery wheat. The original intent of the Chicago wheat contract was to be a way to hedge risk between producers and consumers of soft wheat. We believe that accepting the CBOT proposed rule change will only move the wheat contract further from its original intent, potentially further harming the effectiveness of the contract. Thank you for your time. Sincerely,
Mark Haar Associate Director of Commodity Procurement Kraft Foods Global, Inc. 419-697-6620

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