

secretary

From: gregg weidner [weidner@demeterlp.com]
Sent: Friday, January 23, 2009 9:46 AM
To: secretary
Subject: Most recent CME proposal on delivery certificates

I am writing to oppose the limitation of shipping certificates as proposed by the CME. They are correct in identifying what is a problem and how it negatively affects convergence. However, what we now see is the doomed attempt by the CME to **regulate participation** that can be easily accomplished by simply applying free market fundamentals. If storage rates were substantially increased for corn, soybeans and wheat, **free market forces** would decide how much participation we see from these non-commercial as well as traditional market participants.

Let me continue to elaborate on a developing issue that the country elevator industry is facing and why we need the CME and the CFTC to quickly accept, embrace and support the understanding that increasing storage rates is the most **effective, efficient and prompt** solution to futures contract performance. Due to the ongoing banking issues, the country elevator's borrowing costs this year are rising to the point where many will see an almost doubling of interest costs to finance inventories. If immediate action is not taken and spreads are not allowed to widen further, basis will continue to suffer. The current inadequate and outdated storage rates, combined with even these most recent increased costs to the short hedger, further erode the ability and willingness of the country elevator to hold basis positions. Simply due to the lack of adequate return this market has to offer for the risk taken. The money from non-commercials as well as large commercials will continue to take the delivery certificates to earn a rate of return far better than Treasuries, even if the CME attempts to regulate it. The balance between spreads and basis as a return to carry is not responsive in the new environment today. The industry (and their banks), need reassurance that the cash will eventually and more frequently converge with the futures. Widening the spreads will do that, plain and simple. That is the strategy we need to embrace. Increasing storage rates on the wheat contract (although not going far enough) has shown that this course of action works. The country elevator industry needs the CME to take a more effective course of action than what these proposals can provide.

Regards,

Gregg Weidner
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