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FARMERS COMMODITIES CORPORATION

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COMMENT

APRIL 3, 2000

Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Merchants' Exchange of St. Louis, L.L.C.'s Contract Market Application

Dear Ms. Webb:

Farmers Commodities Corporation ("FCC") is writing this comment letter to support the Merchants' Exchange of St. Louis, L.L.C.'s ("MESL") application for designation as a contract market in Illinois Waterway barge rate futures.[1] FCC is one of the largest commercial grain brokerage firms in the country, serving cooperative member-owners, private companies and major commodity traders worldwide. FCC's core business is marketing grain on behalf of its member-owners. FCC's International Division serves customers whose marketing activities and strategies primarily involve transporting commodities beyond the U.S. grain belt, often for final delivery overseas.

FCC's customers use barges on the Illinois River to ship commodities to distributors and exporters with facilities along the Illinois River and elsewhere. Illinois River barge rates can be relatively volatile, which is the primary reason FCC is supporting MESL's application. Actual rates typically vary from 100% to 300% of the tariff rate.[2] This volatility stems from both environmental and economic factors. For example, parts of the Illinois River often freeze in January, stranding a number of barges and, consequently, decreasing the number of barges available to transport freight on the navigable portions of the River. This

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1 FCC has no comment on the MESL's application for designation as a contract market in St. Louis Harbor barge rate futures.

2 Barge rates for each product are quoted in percentages of a tariff set by the MESL in the 1970s (e.g., 15.5 cents per bushel for corn).

shortage of barges increases rates for available barges. Ground transportation costs also increase because producers' grain must be transported greater distances by land to reach delivery points on the still navigable portions of the River.

Additionally, a small number of companies own a large percentage of the available barges and loading facilities at delivery points. This concentration was exacerbated when the Chicago Board of Trade replaced Toledo with Illinois River locations as delivery points for its corn and soybean contracts. Furthermore, certain of these companies are shippers themselves, which can reduce the available supply of barges and loading facilities, thus widening bid-offer spreads and increasing shipping rates.[3]

Due to the price volatility and large bid-offer-spreads of Illinois River barge rates, shipping grain (and various inputs such as fertilizer) by barge can involve a significant degree of price risk for many of our customers. Those of our customers who transport their grain by barge (primarily those that are located near the Illinois River) move a significant percentage of their grain in this manner. MESL's proposed futures market would allow FCC's customers to hedge their exposure to their barge rate price risk, get better prices through reduced bid-offer spreads and manage their transportation risk more effectively.

FCC appreciates the opportunity to comment on the MESL's application for contract market designation. Please contact me or David A. Bolte, Corporate Counsel, at 1-800-422-3087 if you have any questions about FCC's comments.

Respectfully submitted,

Paul G. Anderson
President and
Chief Executive Officer

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[3] Bid-offer spreads are typically 15% of tariff. They have varied from 2% to 30% of tariff over the last five years.