

PREMIER JUICES

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COMMENT

Wednesday, December 10, 2003

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

VIA FAX (202) 418 - 5521

Dear Ms Webb:

I am writing to you to express our company's concerns about proposed changes in the FCOJ futures contract that are currently being considered by the CFTC. The reasons for our opposing the changes relate to our role as an importer and seller of FCOJ from several countries into the US market. We sell FCOJ to juice packagers in the USA which comes from Belize, Costa Rica, Honduras, Mexico, and Colombia, in addition to domestic sources. For product entering the USA, Premier Juices sells virtually all of what is exported from Belize and Colombia, and just under one half of what is exported from Costa Rica.

We wonder about the implications of your proposed change to the FCOJ futures contract, resulting in all of the above countries being traded on a " B " contract as opposed to an " A " contract which would be limited to Florida and Brazil. I think that we all would agree that it is assumed that the " B " contract will trade at a discount to the " A." As a company that is involved on a daily basis in the sale of FCOJ produced in what you would refer to as " B " countries, we have spent a lot of time thinking about the effects of your proposed change, and we fear the following:

1) . Processors with whom we do business, especially those in Belize and Costa Rica, are required at certain times of the year to hedge their inventories and fruit purchases through the futures market. Having them relegated to a lesser value " B " contract creates at least two problems. The first and most obvious of these is that their fruit and inventories are receiving a lesser value as a direct result of your proposed change. Secondly, we question the liquidity of a " B " contract, especially in view of the relatively low volumes of FCOJ futures that are currently traded in total compared to other commodities. We don't think that it is realistic to think that there is enough hedging volume among the proposed " B " countries to make a separate contract viable for those of us who may need it.

2). Your proposed change will result in many large buyers of FCOJ having an incentive to standardize their retail labels to include only the USA and Brazil, thereby eliminating existing and potential future customers from our business. Their reason for wanting to do this is quite simple: the payoff would be their ability to freely take delivery of futures with the knowledge that it will fall under their country of origin labelling requirements. More importantly, customers could participate in EFP's more freely with the knowledge that futures prices accurately reflected the value of FCOJ. Under the current system, this is not possible.

If your response would be that customers who use our product could accomplish the same by dealing in the " B " contract, then we disagree. The " B " contract as we understand it does not specify countries, it is simply a catch all for everything other than Brazil and the USA. Under this type of system, one could never know for sure what they would be getting by taking delivery of a " B " contract.

3). If our ability to deliver to futures as a sale of last resort for FCOJ is downgraded or eliminated by your proposed change, (due to discounting of the " B " contract and possible liquidity problems with this contract) along with large buyers of FCOJ standardizing their labels to conform to the " A " contract, then we are concerned about the sales prospects for the " B " countries going forward. Quite frankly, we foresee high odds of certain of these origins having no sales outlets other than selling to the same USA and Brazilian companies who are on the " A " contract at deep discounts. They could then blend this product into their own at ratios of less than 25% of imports, thus not having to declare its identity. Using the country of Belize as an example, this is a scary prospect for an industry that is currently third in importance behind tourism and sugar. It is worth mentioning that both Belize and Costa Rica have been encouraged to expand their industries by our own government's policies under the Caribbean Basin Initiative, which gives their FCOJ duty free access into the USA.

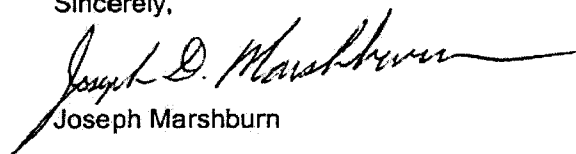
If there is a concern about FCOJ futures not being well accepted under their current guidelines due to customers concerns about " not knowing what they are getting " then why couldn't this problem be solved by simply stating the percentages of different countries' FCOJ that were in each contract? Current country of origin guidelines require that " 75% of the imported juice " in each container be declared. If those very same guidelines were applied to futures deliveries, then we believe that your problem would be solved without harming the small countries that need access to the futures market.

In our opinion, very few contracts would be affected by this change, since the odds of a significant amount of futures loads having a high percentage of " B " country product in them is quite low. As an example of this, our company has handled all of the volume that has entered the USA over the past three years from Belize and we can attest that none of our sales of this product have ended up being delivered to the futures market. Yet one can still find futures deliveries that name Belize as a country of origin, the point being that the actual amount of Belize FCOJ in that particular futures contract is probably minute. We all know that this is done in order to discourage taking of futures, thereby increasing the gap between futures and actual FCOJ which results in a less efficient futures market. We believe that this is the problem you are trying to solve with your proposed change. Stating percentages would solve your problem without harming the industries in countries other than the USA and Brazil.

We represent, as sales agents, Citrus Products of Belize, Ltd., from Belize, and Del Oro S.A. from Costa Rica and both of these companies would like to be on record as opposing the proposed change in the FCOJ futures contract. They were both concerned about not being able to respond in time for your consideration and have asked us to speak on their behalf today, although you will be hearing more from them directly in the immediate future.

To sum up, it does not seem fair to downgrade the value of a commodity based not on its quality, but only on where it was processed, and your proposed change in the FCOJ contract may result in damage to the industries in the countries that you are considering for the " B " contract.

Sincerely,


Joseph Marshburn