



December 11, 2003

Ms. Jean Webb  
 Secretary, Commodity Futures Trading Commission  
 Three Lafayette Center  
 1155 21st Street, N.W.  
 Washington, D.C. 20581  
 FAX 202-418-5521  
 secretary@cftc.gov

COMMENT

Re: FCOJ-A and FCOJ-B Futures and Options Contract and FCOJ-B  
 Futures Contract

Dear Ms. Webb:

I am the President of Citrofrut, S.A. de C.V., headquartered in Monterrey, Mexico. Citrofrut is Mexico's largest grower and processor of citrus, including frozen concentrated orange juice (FCOJ). Citrofrut has been in business since 1958 and has been exporting ever since. In year 2002, Citrofrut exports were over 2 million gallons of FCOJ 65° Brix to the United States.

Citrofrut is opposed to the FCOJ contract changes now being considered by your agency. We believe the proposed changes are not justified by any legitimate market need. Furthermore, the proposed changes will hurt our ability to hedge and deliver in the FCOJ futures market. The changes would violate the North American Free Trade Agreement ("NAFTA"), and would impose an unfair stigma on Mexican products that are offered for sale in the United States.

We are told that the purpose of the change is to restrict the FCOJ-A contract to Florida and Brazil products only. All other products would trade as a differential contract. This presents a problem for us as a user of the futures market.

Like other growers and processors, Citrofrut uses the futures market as a hedging tool. If the proposed changes are approved by the CFTC, Citrofrut will

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no longer be able to hedge using the primary, FCOJ-A contract. Instead, Citrofrut will be relegated to the differential FCOJ-B contract. FCOJ-B will be hard to use because of the relatively small number of contracts that would trade on it. As a result, Citrofrut's hedging abilities will be severely curtailed or altogether eliminated.

The proposal also violates the intent of NAFTA. Article 703 of NAFTA provides that the United States, Mexico, and Canada "shall work together to improve access to their respective markets through the reduction or elimination of import barriers to trade between them in agricultural goods." If the CFTC approves the changes proposed by the Citrus Associates, the opposite will occur: barriers to trade will be *increased* because it will become more difficult for Mexican companies like Citrofrut compete on an equal footing in the United States. The CFTC should not approve exchange rules that discriminate against Mexican producers.

As you know, in 1999 the NYBOT introduced the FCOJ-2 differential contract that was limited to Florida and Brazil product. The result: the FCOJ-2 contract failed as there was very little trading of that particular contract in the futures market. If this happens again with the proposed FCOJ-B contract, then FCOJ-A contract will be the only one able trading and only FCOJ from Florida and Brazil would be traded in the futures market, impairing the ability of Citrofrut to trade in that market.

Finally, Citrofrut is extremely concerned that the proposed changes will impose an unfair stigma on FCOJ sold by Citrofrut. The Citrus Associates essentially seek to create two "classes" of FCOJ: an "A" group that includes only FCOJ from Florida and Brazil, and a "B" group made up of everything else, including FCOJ from Mexico. If the CFTC approves the proposed changes, it will be perceived as telling the marketplace, without any justification, that Citrofrut's FCOJ is somehow inferior to FCOJ from Florida and Brazil.

In the marketplace the vast majority of FCOJ is traded under certain specifications as "USDA Grade A"; thus an "FCOJ- B" futures contract will have an implied connotation of "Grade B" product.

The negative perception that will be imposed by the proposed changes could be very harmful to Citrofrut. Citrofrut's FCOJ is equal or superior in

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quality to FCOJ from Florida and Brazil, and Citrofrut's FCOJ deserves to trade alongside FCOJ from these countries. The CFTC should not approve the unfair classification proposed by the Citrus Associates, which would injure Citrofrut solely because of its nationality.

We seriously believe that there is no need in the marketplace to create confusion with FCOJ-A and FCOJ-B contracts. If the real intention behind the conception of two different contracts is to protect the customers, a very simple solution is to establish more stringent quality parameters and specifications for those companies delivering FCOJ to the futures market. This proposal does not have any elements of discrimination against any country as it relies entirely on quality restrictions which -eventually- will make the futures market a much more attractive marketing channel.

Sincerely,

Juan Carlos Zambrano  
Citrofrut, S.A. de C.V.

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