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NATIONAL GRAIN TRADE COUNCIL
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COMMODITY FUTURE TRADING COMMISSION

January 6, 1999

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COMMENT

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

Dear Ms. Webb:

The National Grain Trade Council submits these comments on the "notice of proposed contract market rule change" published in the *Federal Register* of November 25, 1998, that mostly pertains to delivery specifications for the Chicago Board of Trade's wheat futures contract.

The Council is a national trade association whose voting members are grain exchanges, boards of trade, and national grain marketing associations. The Council's associate members are grain companies and related businesses, including futures commission merchants.

The Council, by and large, supports the changes in the delivery specifications the Chicago Board of Trade has submitted for its wheat futures contract. Let us address the questions the Commission has raised regarding these proposed changes.

1. Would available deliverable supplies under the proposed contract terms for wheat be sufficient to prevent or diminish price manipulation, market congestion, or the abnormal movement of such commodity in interstate commerce?

Yes, the Council believes the CBOT proposal will provide for sufficient quantities of available deliverable supplies.

2. Do the proposed locational price differentials for delivery of wheat at Toledo and St. Louis reflect cash market price differentials for wheat at such locations relative to cash market values at Chicago?

Yes, the proposed changes are consistent with grain flows and market economics. Placing Toledo deliveries at par with Chicago is appropriate and recognizes that Toledo has become the primary delivery point for the contract.

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3. Do the proposed quality price differentials for delivery of U.S. No. 1 and U.S. No. 2 grade northern spring wheat reflect cash market pricing relationships between such wheat and other deliverable classes and grades of wheat, particularly U.S. No. 2 grades soft red winter wheat?

The price differentials between northern spring wheat and soft red winter wheat are appropriate. The differentials are structured so that the primary grain delivered will be soft red winter wheat, which is consistent with the cash market, and northern spring wheat would be delivered only in unusual circumstances. In fact, the provision for spring wheat delivery should be seen more as a safety valve type of approach

4. Are the proposed amendments to the corn, wheat, soybeans, and oats futures contracts concerning load out of grain against warehouse receipts and shipping certificates consistent with cash market practices for those commodities at the regular warehouse at the contracts delivery points? If not, to what extent, if any, will the proposed load-out amendments limit deliverable supplies available for the wheat, oats, corn, and soybean futures contracts?

The CBOT is proposing to provide delivery takers with a preference in the loading order for deliveries. Toledo warehousemen tell us this is contrary to commercial practices. While such a requirement may be manageable for barge loadings, it occasionally could be disruptive for rail and vessel loadings. We do not see the adoption of such a provision as affecting the availability of deliverable supplies, although it may affect a warehouseman's delivery decisions in certain circumstances. We recognize that the most efficient price discovery mechanism is one that reflects the underlying cash market and provides "instant" access to delivery makers and takers.

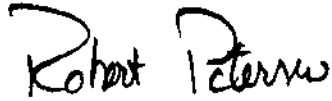
5. In light of recently announced plans concerning changes in the ownership and/or operational control of the wheat futures contract's delivery facilities, what effect, if any, will the increased concentration in the control of delivery capacity resulting from these changes have on the contract's susceptibility to price manipulation, market congestion, or the abnormal movement of wheat in interstate commerce? To what extent do these changes reflect general trends in the cash market?

Recently announced plans concerning ownership and/or operational control of warehouse facilities that may be delivery points reflects a general trend in the cash market, not unlike many other segments of the economy. While the ideal might be diverse ownership of facilities, the reality is the competitive nature of the business, the expertise, and the financial resources required to succeed mean there will be fewer companies operating more facilities.

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In summary, the Council by and large supports the changes the Chicago Board of Trade is proposing to its wheat futures contract. Council members believe the contract is a well-functioning contract now and these changes will generally improve the contract.

Respectfully,

A handwritten signature in black ink that reads "Robert Petersen". The signature is written in a cursive style with a large, prominent initial "R".

Robert R. Petersen
President