



RECEIVED  
C.F.T.C.

99-3  
②

1999 JAN 29 A 8:14

**U.S. COMMODITY FUTURES TRADING COMMISSION**  
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581

David D. Spears  
Commissioner

(202) 418-5040  
(202) 418-5544 Facsimile

January 28, 1999

**COMMENT**

To: Comment File  
From: Office of Commissioner David D. Spears *D.S.*  
Re: Meeting regarding proposed amendments to the Chicago Board of Trade's (CBT) soybean oil futures contract, 64 FR 1603 (January 11, 1999)

On January 26, 1999, Commissioner Spears met with representatives of South Dakota Soybean Processors (SDSP), a cooperative soybean processing facility located in Volga, South Dakota, regarding proposed amendments to the Chicago Board of Trade's (CBT) soybean oil futures contract, 64 FR 1603 (January 11, 1999). Representatives of SDSP included Rodney Christianson, CEO; Paul Casper, Board President; and Danny Potter, SDSP Finance Committee chairman. The SDSP representatives were accompanied by Brian Jennings of the staff of Senator Johnson of South Dakota. Also present at the meeting were Alan Ott and Don Heitman of Commissioner Spears' staff and Scott Parsons of Commissioner Newsome's staff.

The SDSP representatives expressed their concerns over the potential economic difficulties that the proposed CBT rule changes would create for their facility. They described potential problems for SDSP associated with several specific elements of the CBT proposal. They expressed the hope that, in view of those concerns, the Commission would disapprove the exchange proposal. The SDSP representatives also provided several written exhibits, copies of which are attached hereto. Commissioner Spears thanked the SDSP representatives for the information they had provided and urged them to detail their arguments in written comments in response to the January 11 Federal Register Notice. He also described the rule review process, including the legal limitations to which the Commission is subject as part of that process. In view of the short time between the end of the comment period and expiration of the automatic Fast Track approval period, he suggested that the Commission staff might recommend extending the 45-day Fast Track period on the CBT proposal.

**Records Section  
Received CFTC**

1999 JAN 28 P 1:24

RECEIVED  
C.F.T.C.

## **COOPERATIVE DISTRIBUTES VALUE-ADDED PAYMENTS**

South Dakota Soybean Processors (SDSP) Board of Directors approved the first value-added patronage payments to its 2,100 producer members in their October 1998 Board meeting. SDSP's membership includes producers from primarily Minnesota and South Dakota, along with members in Iowa and North Dakota. "We're paying 41 cents per share in cash. The producers are overjoyed with their checks," announced Paul Casper, SDSP President. "We have achieved the dream that was started 6 ½ years ago. Our members are receiving a larger share of the food dollar and it's staying in our local communities."

SDSP completed its second year of operations in August 1998 with sales totaling \$160 million. While SDSP was profitable in its first year of operation, the Board elected to retain those first year's earnings in the cooperative. During this two year period, members of SDSP have enjoyed: 1) 270% growth in soybean delivery rights to their processing plant in Volga, SD, 2) a doubling of the market value in their equity unit shares, and now 3) a value-added patronage dividend totaling about \$6 million to its 2100 member base. Director Dale Murphy of White, SD commented, "In my wildest dreams, I would not have dreamt that SDSP would be this far along in two years."

South Dakota Soybean Processors is the first farmer-owned soybean processing facility built in the United States. Similarly, SDSP is the first value-added cooperative built in South Dakota, with an original price tag of \$32.5 million. Since beginning its operation in October of 1996, SDSP has reinvested \$5.2 million to improve its competitive position in the market place.

Throughout 1999, SDSP expects to process 25 million bushels of South Dakota's 130 million bushel soybean crop. According to SDSP's CEO, Rodney Christianson, SDSP has impacted South Dakota's rural economy by generating an estimated \$50 million annually in economic activity due to improved soybean prices to the producer, associate payroll and operational expenditures. SDSP's recent distribution of the value-added checks has added significantly to that economic activity. "This portion of the food dollar has been returned directly to producer investors in rural communities," commented Christianson. He added, "We expect SDSP to be there every year adding value to our members' soybeans."

However, Christianson noted that as with all commodity-based businesses, SDSP will have its business cycles. Large supplies of soybeans remaining in South America will compete with a questionable world demand for protein and oil this next year. Add to this an increase in crushing capacity in the U.S., and the results will be crushing margins under pressure for SDSP's 1999 fiscal year. "We expect a good profit, but lower than 1998," he said.

To inquire about stock ownership in SDSP, please contact Sue Fierstine at 605/627-6114.

### Soybean Oil Rail Economics

	Mankato, MN	Sioux City, IA	St. Joseph, MO
Volga, SD	159 Miles	144 Miles	370 Miles
Truck	.75 cwt	.77 cwt	N/A
Rail	.37 cwt	.77 cwt BNSF or 1.11 cwt UP	.83 cwt UP
Dawson, MN	139 Miles	187 Miles	411 Miles
Truck	.64 cwt	.90 cwt	N/A
Rail	N/A	.74 cwt	1.05 cwt BNSF
Sheldon, IA	129 Miles	58 Miles	282 Miles
Truck	.59 cwt	.35 cwt	N/A
Rail	.46 cwt	.62 cwt UP	.68 cwt UP
Emmetsburg, IA	110 Miles	119 Miles	264 Miles
Truck	.50 cwt	.66 cwt	N/A
Rail	.62 cwt	N/A	.88 cwt UP

Dawson Switched : 3 times per week

# Regional Pop. % of US Total (7/1/98 est.)

MN, IA, WI, IL, IN, MI = 19.16%

