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February 17, 1999

COMMENT

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

Re: CBOT Proposed Amendments to the Soybean Oil Futures Contract Modifying Certain Delivery Terms and Conditions

Dear Madam Secretary,

Cargill, Incorporated is a merchant and processor of agricultural commodities and other bulk products. As such, we make significant use of Chicago Board of Trade (CBOT) futures contracts for hedging a variety of price risks. We appreciate the opportunity to comment on the CBOT's Proposed revisions to their existing soybean oil futures contract.

We had the opportunity to participate in the CBOT discussions which led up to these proposed amendments being submitted to the CFTC. We appreciated the open dialogue, the desire to gather the industry's views and the open minds which the Task Force used in their deliberations on these issues.

We support these changes and believe they will lead to better convergence between cash and futures along with more responsiveness between cash and futures making the market more transparent for all users. In order for the delivery mechanism for a futures market with multiple delivery points to work effectively the takers must be indifferent as to which tickets they receive. In order for this to occur the delivery points must have accurate price differentials and the commodity must be available to the taker in a reasonable timeframe. The changes proposed by the CBOT address these currently problematic issues and will improve this contract's performance. They should be approved in a timely fashion so they can take effect beginning with the January, 2000 contract. We were disappointed to learn of the delay in the process and would encourage the CFTC to act on this in a priority manner.

The CFTC's call for comments raises several questions - we respond to them as follows:

1. The changes will make the CBOT's contract better reflect cash market realities. Larger annual adjustments, more rapid loadout and improved equalization between railroad loadout procedures/costings will all be improvements. As one can see from the current imbalance

between issued receipts (high % in one territory and in one location) there must be issues which make this territory or location less viable economically for takers of delivery. This means that the marketplace is currently being "priced" by this territory only rather than the overall marketplace including all delivery locations. By making changes which will allow the differentials at each location to better reflect differences in the cash market the entire marketplace will be able to "price" the futures market.

2. The proposed change with regard to differentiating between categories of rail service is logical. We have two locations which could be negatively effected by this change but overall it should make the marketplace work more efficiently. We acknowledge that as the operator of the facility on these smaller railroads we have daily business activity with them and can negotiate better switching charges/freight than only occasional users. This situation is particularly the case with these smaller rail carriers who are not likely to have so much economic interaction with a wide variety of market participants.

This change will improve the markets efficiency and will make a taker more indifferent as to which location he receives his delivery tickets in.

3. We foresee no negative impact on the supply of soybean oil available to the marketplace after these changes are made. While some facilities may be negatively impacted, and therefore make less oil available to the delivery market, other facilities will find it relatively more attractive to deliver oil and thus make more oil available. As stated above the current improper pricing of the differentials causes the vast majority of the delivered oil to be in one territory/location therefore making the futures market heavily representative of that location's value. Therefore most other delivery points prefer to market oil in the cash market rather than making it available for delivery - this makes many of the possible delivery points be acting as "safety-valve" locations rather than primary delivery points as is the intention.

In conclusion, we support making the proposed changes to the CBOT soybean oil contract as written. We encourage the CFTC to act quickly so the market will have the benefit of these changes sooner rather than later. If you have questions or would request clarification please do not hesitate to call with your questions. Thank you for considering our views.

Sincerely yours,

Jim Sutter
Vice-President, World Grain Trading Group/North America
WGTG/Oilseeds Futures Manager