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August 20, 1999

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 Oat Futures Contract Modifying the Minneapolis/St. Paul Delivery Differential

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 oat futures contract.

We participated in the CBOT's discussions on the oat contract and appreciated the opportunity to to be included in this open forum and to have had the opportunity to provide input. We would commend the CBOT for reacting to changing market conditions and coming forth with this proposal. The Chair of this committee has done an excellent job of seeking out widespread industry comment and then moving quickly to implement changes which are widely supported.

We agree with the CBOT's statements that Minneapolis/St. Paul has become the leading cash market for Oats and thus should become the primary delivery point for Oats. There are several reasons for this change including:
-US oat production has declined from 915 myl bu production in 1970 to 160 myl bu forcasted for the 1999 oat crop.
-Oat imports have increased to supply the domestic market's requirements. In '92 the US imported 65 myl bu and in '97 imports were 117 myl. The bulk of these Oat imports are coming from Canada, Finland and Sweden.
-Of primary importance to this issue is the fact that Canada's role as the originator of US oat imports has increased from 30% of the total in '91 to over 75% in '97. Approximately 75% of these oat imports are crossing over Minnesota points and this has lead Minneapolis to become the prime pricing point for cash oats. The Chicago gateway has limited importance as a pricing point in the cash oat trade.

These changes have led to a "disconnect" between the cash oat market and the futures because since the early 1990's, basis levels for #3 Canadian western oats have traded at 10-20 cnt/bu over the respective CBOT Oat futures price on track in Minneapolis. This compares with delivery economics for a similar quality oats at 7.5 cnt/bu under CBOT oat futures instore Minneapolis. Obviously it is difficult to get a natural convergence given this situation - by changing the differential as proposed the system will be significantly improved.

The CFTC's call for comments asks responders to specifically address whether this change is within the range of normal commercial price differentials and whether this change will affect the volume of economically deliverable supplies.

As stated above, Minneapolis/St. Paul has become the prime cash oat market pricing point and Chicago is almost irrelevant. The last deliveries in Chicago took place in '94. Economics have changed since this time with the elimination of the Canadian Crow rates. This has shifted the Oat movement ex Canada from primarily a water move from Thunder Bay to rail direct ex Canadian prairies to US markets. Given these changes in the market, Minneapolis has the capability to be the primary delivery point, and with this differential change we should see an increasing number of warehousemen participating in the delivery process.

In summary we fully support this change. The market has evolved to a point where this is a very logical step as it will improve the market's viability by making the all important convergence mechanism more reliable. We expect that this change should result in an increase in CBOT futures volume, open interest and liquidity.

We would encourage the CFTC to keep the "fast-track" procedure in place and approve these changes as of September 13, 1999. This will allow this necessary change to be implemented as soon as possible. It is our understanding that virtually all industry participants are in support of this change recognizing that it is a very logical improvement.

We appreciate the opportunity to comment and would happy to ask any questions which you may have. Thank you for considering our views.

Sincerely yours,

Jim Sutter
Vice-President, Grain and Oilseed Supply Chain Platform
CBOT Futures Manager

cc: Mr. Paul Butters/Oat Trading Manager - Cargill, Minneapolis