

KENNEDY RICE DRYERS, INC.

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OFFICE OF THE SECRETARIAT

December 03, 1999

Ms Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 Street N.W.
Washington, D.C.
Fax 202-418-5521

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COMMENT

Dear Ms. Webb;

As the owner of a regional rough rice elevator in Northeast Louisiana and thirty-year grower and trader of rough rice, I would like to address the proposed modification to Rice Futures Contracts.

Our elevator generally receives and dries from 1,250,000 to 1,750,000 cwts of green rice each harvest season. We dry, clean and store this rice in our elevators. Heat damage and stain only occur when the rice is not dried quickly and properly or rain is allowed to leak or blow in the bins. Normally, we don't have any stain in our rice except when on the rare occurrence, a storm may blow a door open on a bin, or wind damages a bin.

When we have rice that is stained, we generally have a hard time selling it. None of our regular customers accept stained rice. No body wants to buy a bag of milled rice that has stained kernels in it, so the mills we sell to don't want to purchase stained rice.

It seems that the rice received at deliverable elevators has an unusual amount of stain, as compared to the rough rice inventory in all of the U.S., but it does meet the current quality specification for futures contracts.

The majority of rough rice traded in the U.S. is non-stained rice and we need futures contracts that deal with white rice. That is, the rice delivered against contracts should be white, and not stained. The futures contracts rice should be comparable to the rice we are selling in the cash market.

We trade rough rice future contracts to hedge positions all year long.

The proposed modification on stain would make the futures prices more comparable to cash prices and would allow us to better use futures contracts as hedges. For instance, we could utilize long positions to take delivery if necessary of the same quality of rice which would meet buyers specifications, whereas today, we can not.

The proposed modification has provisions to allow these deliverable elevators to meet the new specifications.

I respectfully request that you take this opinion into account when you make your decision concerning the proposed changes.

Sincerely,

W Elton Kennedy
W. Elton Kennedy
President

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