

THE RICE COMPANY
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December 8, 1999 03:39 PM

To: Commodity Futures Trading Commission > Fax (202) 418-5521
 Attn.: Ms. Jean A. Webb, Secretary

Re: CBOT Rough Rice Futures Contract **COMMENT**

We are writing this letter to support CBOT request to modify rough rice futures contract. As presently structured, neither U.S. No. 2 contract nor CBOT rough rice contract reflect the quality standards of the domestic and export markets.


Virtually 99.9% of U.S. rough rice export sales call for zero heat, zero stain. Every single participant in the trade, including the elevator and the exporter, are familiar with the end users' zero heat, zero stain requirement in all of the U.S. rough rice export markets (Mexico, Central America, South America, Caribbean and other occasional markets). We believe that all originating elevators discourage their customers from bringing in stain/heat rice as there are no markets for such rice except at heavy discounts. Further, stain and heat is a result of improper handling and only a small volume is affected in a given crop year.

The Rice Company is the largest merchandiser of rough rice worldwide. In the U.S., we have not had any problem purchasing and shipping zero heat, zero stain rice from over 100 different origination points in Arkansas, Louisiana, Texas, Mississippi, Missouri and California. Further, as rice millers in Louisiana and Texas, our purchase contracts, like most of the other U.S. millers, call for zero heat, zero stain rice.

We believe that once modified, the contract will eliminate current basis distortion. A modified contract with tighter quality standards, reflecting realities of today's market place, will improve the pricing accuracy and strengthen correlation between futures and cash markets.

Please call me at Tel (916) 784-7745 if I can be of any assistance.

Sincerely,
 The Rice Company


 J. K. Kapila
 President & CEO

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