



99-40  
22

RECEIVED  
C.F.T.C.

'99 DEC 17 AM 11 47

OFFICE OF THE SECRETARIAT

Richard E. Bell  
President

December 13, 1999

**VIA FACSIMILE**  
202-418-5527

**COMMENT**

**TO:** Mr. John Bird  
Division of Economic Analysis  
Commodity Futures Trading Commission  
Three Lafayette Centre  
21st Street, N.W.  
Washington, DC 20581

**RE:** Proposed Amendments to Chicago Board of Trade  
Rough Rice Futures Contract—Deliverable Supplies

RECEIVED  
C.F.T.C.  
RECEIVED C.F.T.C.  
RECORDS SECTION  
'99 DEC 19 PM 4 34

As I reported by telephone last Friday, I have developed data relative to the supply of deliverable rice if the proposed amendments to the Chicago Board of Trade's (CBOT) rough rice futures contract are implemented.

According to the U.S. Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS), stocks of rough rice in Arkansas as of August 1, 1999, were 8,700,000 hundredweights (cwt.). Riceland Foods, Inc.'s submission to USDA/NASS for that report included 3,995,000 cwt., or 45 percent, of the total stocks of rough rice in Arkansas as of August 1, 1999.

Riceland's submission included 2,695,000 cwt. of long grain rice (67 percent) and 1,300,000 cwt. of medium grain rice (33 percent).

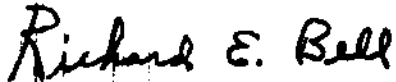
Of the stocks of long grain rough rice which Riceland had on hand at that time, only 1,779,000 cwt., or 66 percent, would have been deliverable when the quality standards proposed by the CBOT amendments are applied.

I believe this analysis points up the potential negative impact that the proposed amendments would have on deliverable supplies late in the rice marketing year. There already is a restriction on the use of the July contract due to concern about deliverable supplies late in the season. Adoption of the proposed amendments would further aggravate this situation.

-2-

As I also reported last Friday, a wide majority of the rough rice purchase contracts that I have reviewed during the past ten days only show "no heat, no stain" when addressing heat damaged and stained kernels. These types of terms can lead to sharp disagreements between buyers and sellers when the issue of heat damage or stain arises. The difference between "stain" and "lightly stained" is particularly ambiguous. Apparently these issues get settled when they arise through negotiations between the buyer and seller.

I continue to believe that if adopted, the proposed amendments to the contract will lead to millers and exporters attempting to use the contract for cash purchases, and the contract will become useless as a tool for hedging by rice growers and their cooperatives such as Riceland.



Richard E. Bell  
President and  
Chief Executive Officer

\*\*\*END\*\*\*