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To those participating in Thursday’s Futures Forum, My comments...

Grain corporations instituted Hedge to Arrive contracts a long time ago and it cut some brokerage business for small to medium firms that are about the same size as mine because producers could hedge their sales using the HTA with the terminals or elevators covering the margin calls. Sweet deal huh? The thing that bothers me, and I’m guessing others, is that it put the management at the terminals and elevators into the brokerage business without ever having to comply with the CFTC and National Futures Association who require membership, regulation, and makes sure that all brokers and brokerage firms adhere to the standards and rules they have set forth. There is absolutely no compliance for an elevator manager or elevator employees who should have to take a brokerage license test, become a member of the NFA, and be accountable. Nor does the producer have to open a brokerage account. *It’s all a by-pass*. Not that the HTA is not workable or a good marketing tool for the producer by any means – who wouldn’t want to have someone else pay their margin calls?

It’s a great marketing tool when corn is under $3.00 and soybeans $5.00 or $6.00, but it doesn’t work at all in the present markets. It’s margin call city and the grain giants didn’t count on this phenomenon or independents for that matter offering the same marketing tool.

Here’s the deal. I have no empathy for them all. I it’s their turn. A number of grain elevators across the Midwest have gone belly-up recently and there is more to come. State inspectors are so full up of audits they don’t have enough man power to get to all of them. I personally know of several elevators that are having to meet margin calls from $250,000.00 to $1 million everyday when the futures market ramps up. Oops. Get your wallet out boys. I talked to one lender in the Midwest who said 3 elevators in his area were closed down by the state just a month ago. The elevator managers and board of directors had borrowed several million dollars from 3 local banks to meet their margins. His bank was out $2 million alone and of course, worried.

Elevators who are desperate to get credit set up have told the banks that the HTAs will still work when the grain is physically and finally delivered. Wrong again. They will never come out profitable – why? The interest they are paying on margins will eat them up. There is no way they can win. Big pockets will but so many are going to come out of this bruised or broke.

So, the big shots didn’t plan for this one. Back a year ago, I can hear a country elevator assistant manager, who just came into the office after shoveling grain into a grate, say to this farm client, “Do you want to put an HTA on this sale?” The farmer replies that he does. One year later? And finally here’s the kicker. I’m certainly not going to say this will happen, but what if corn futures would go to $7.00-$7.50?

Wake up:

- What if a car company told you if you buy their car, they will pay for all of your gas?
- What if grain elevator said you could sell your grain to them and they will pay all your margin calls?

Well, it's the best producer ag producer economy ever in the history of the United States. Now the grain companies are crying and probably you will allow them some slack.

And quit complaining about the investment funds. They have just as much right to trade as the next guy. Cutting them out is not your answer.

Welcome to American free trade. Oh, and get your wallets out.