GLENCOÂE Ltd.

Commodity Futures Trading Commission
Office of External Affairs
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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Dear Chairman Lukken, agency members and panel participants:

We would like to thank you all for your participation in last week's roundtable discussion and thorough review of the current delivery mechanism. We are both encouraged by and supportive of your efforts to improve the system and are confident in a satisfactory and prompt response to current issues.

It is not surprising that convergence is most notably retarded in Cotton and Wheat given that both products have become increasingly reliant on world markets to conduct business and neither have significant delivery points tributary to export markets. Moreover, both products have significant differences with the quality that is delivered versus what is traded and consumed domestically and throughout the world. As the futures contract has not kept pace with the changing fundamentals of the physical markets it serves, the basis risk has become unlimited. This is harming both commercial trade and producers and has become a dangerous risk management tool. As an originator and shipper of over 15 million metric tons of wheat annually Glencore Grain has a strong sense of urgency in this matter and will need to consider any/all alternatives, including offshore indexes, to minimize the risk associated with our substantial physical book. We do believe however, there are steps that you can take that will have a dramatic and immediate effect on furthering convergence.

Specifically, concerning wheat, we believe the number and location of Delivery Elevators and Quality of the SRW Contract both contribute to poor convergence. The relatively small number of delivery elevators and their disproportionate location to production result in the following:

- Poor participation by the producer (70% of production takes place in locations with no legitimate access to delivery markets).

- Basis levels in the Delta- primarily moving into export channels- have no support mechanism in the form of delivery economics and are therefore subject to limitless downside potential as world values and CBOT values diverge.

- The CBOT is increasingly a nonviable hedging tool for world growers/traders given simultaneous futures rallies and basis market's collapses.

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Additionally, the SRW delivery spec states that the delivered wheat must contain ‘Not greater than 4 ppm’ of Vomitoxin- a toxin we believe is not acceptable to users foreign or domestic in amounts over 2ppm.

- This prevents the contract from providing a viable alternative to domestic millers, and/or exporters attempting to meet foreign demand.
- Results in delivery elevators being used as dumping grounds for the toxin and using valuable delivery space.

Our recommendations are as follows:

First, simply expand the SRW Delivery District to include Delta production. There are many elevators in these locations so participation should be high. Total delivery capacity should approach similar quantities as in the Toledo region, and should include facilities that are largely tributary to export markets.

All #2 SRW delivery contracts should include max 2ppm Vomitoxin.

CFTC waive the necessity of having zero open interest to make changes as this rule may no longer be attainable within a reasonable amount of time.

We welcome the opportunity to discuss this matter and encourage you all to contact us with any questions or need for further clarification.

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