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"Improve the economic well-being of agriculture and enrich the quality of farm family life."

January 21, 2008

Mr. David Stawick
Secretary, Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

2008 JAN 22 AM 10:00

OFC. OF THE SECRETARIAT

RECEIVED C.F.T.C.

RE: Revision of Federal Speculative Position Limits

COMMENT

Dear Mr. Secretary:

This letter contains the position of the Illinois Farm Bureau (IFB) on the Commodity Futures Trading Commission (CFTC) proposal to increase federal speculative position limits, published November 21, 2007 in the *Federal Register.*

The Illinois Farm Bureau is a grassroots producer organization currently representing over 70,000 farm families in Illinois. As such, we represent the interests of the majority of the farmers in Illinois. Throughout our history, we have continued to encourage our farmer members to utilize the risk management and marketing tools offered through the various commodity exchanges.

We certainly appreciate the opportunity to provide comments to the CFTC on this very important matter. We feel a decision to once again increase speculative limits will definitely have a negative impact on the performance on the agricultural price discovery system. During the past several years, we have witnessed an unprecedented disconnect between the futures price of grain and the actual cash price for grain throughout the processing pipeline. It is commonly believed that one of the largest factors in causing this disconnect and lack of convergence between futures and cash prices is the influence speculators already have on the futures market.

Buyers and sellers of the physical commodity actually determine the value of the grain at each of the buying points along the pipeline. Extremely weak basis levels witnessed over the last two years indicate that speculators continue to overvalue the futures market to a large degree when compared to values traded by physical buyers and sellers of the actual commodity.

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This rather large difference in prices can cause significant problems to agriculture as futures prices relate to land values, cash rents, input pricing, and other factors. The world has been conditioned and trained to use the CBOT values as indicators of commodity prices. Currently, these values do not correlate to what is going on in the real marketplace.

During these times of increased market volatility and uncertainty, producers, who are already denied access to the delivery process, need improved risk management tools and access to such tools. It is our opinion that increasing speculative limits will serve only to increase the already large disconnect between cash and futures prices and will provide no additional risk management assistance to grain producers, grain buyers or processors.

We fear that expanding the speculative limits once again will only serve to further aggravate the situation existing between futures and cash markets. We strongly urge the CFTC to refrain from expanding speculative limits and to continue to study the serious impact lack of convergence and hedging inefficiencies have on agriculture and rural America. We also encourage the CFTC to continue to participate in the study of alternative delivery mechanisms or cash settled systems that would potentially improve hedging efficiencies and better reflect the dramatic fundamental shifts occurring in American agriculture due to the massive increase in biofuels usage.

We would also like to recommend the CFTC to reconsider the position it has taken with the hedge exemption for funds. We do not feel that providing hedge exemptions to funds is consistent with the original purpose and intent of hedge exemptions nor does it bring about increased efficiencies to the agricultural futures markets.

Thank you for your consideration.

Sincerely,

ILLINOIS FARM BUREAU®

Philip Nelson
President