secretary

From: j c [jgc470@yahoo.com]
Sent: Wednesday, October 01, 2008 10:03 PM
To: secretary
Subject: CBOT submission #08-138

Commissioners,

Regarding the proposed changes to the Chicago Soft Red Wheat (SRW) contract, I have two points to make and a recommendation. A quick note about my background, I am a wheat trader on the exchange floor, who started with Pillsbury in 1973 as a grain merchandiser, later in 1980 I worked as a floor grain analyst for Prudential Bache, and since 1989 traded as an independent in the deferred wheat contracts. I regularly take delivery of grains or the soy complex, and I am currently carrying 53 wheat contracts to be re-delivered in December.

First, I favor the changes in vomitoxins, but not the variable storage rate. The former is consist with current export specs, but the latter only increase the rent of terminal storage space with neither a guarantee of greater bushels delivered nor an answer to the problem of convergence. During June through September, (SRW) is the only program for an elevator, unless it wishes to remain empty waiting for the corn and soybean harvest, so I see little to be gained in extra storage at that time.

Secondly, I like the proposal to include St Louis and Memphis as delivery points with a greater rate differential (St Louis 10 over Toledo), as well as Toledo shipping district. But I have reservations that either St Louis' or Memphis' participation will be great for two reason. For a Mississippi River house, merchandising rather than storage provides a better return on equity because it possible to turn over an inventory more than once rather than have it sit in storage. Plus in any merchandising program, (SRW) is a much smaller crop than corn or soybeans with fewer export opportunities so it also suffers from volume considerations.

As for what I would like to see explored: the concept of using containers as a possible means to store and deliver on the (SRW) contract. This would provide a broader group to make delivery; allow a possible alternative to sales from the combine, thereby reducing the pressure on cash prices at harvest time; and provide another source of income for smaller elevators and/or large farms depending on how the contract was defined. Currently, just west of Chicago, the Elburn Coop ships grain in containers via either Joliet or Rochelle, IL rail/container ports. I spoke to the manager, and he said that the cost is about 10 cents a bushel to load and grade, but once done they are shipped out to Long Beach, CA for the Orient. Memphis is another large container port, and Cargill has shipped grain via containers at their President Island facility (see Memphis Commercial Appeal, dated 11/25/2007). A possible approach is to allow deliveries at a discount to the area adjacent to the proposed three terminal ports: 1) the counties adjacent to Toledo, 2) Washington/Clinton, IL counties east of St Louis, and 3) from Caruthersville, MO to West Memphis, Ark north and west of Memphis.

Finally, I recognize that such an idea needs study, and I make no claims of expertise other than a student of the business, but the problem of convergence and the possibilities solution with greater (SRW) trade participation in the delivery process is worth exploring, and may with refinement be workable.

Sincerely,

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