

secretary

From: Berry Bortz [cb.farms@dishmail.net]
Sent: Monday, October 05, 2009 2:18 PM
To: secretary
Subject: CBOT VARIABLE STORAGE RATE FOR WHEAT

Mr. Secretary, In my opinion, the convergence issue is not a problem with storage rates. It is not a problem with number of delivery locations. It is however, a problem with the accessibility of the delivery mechanism to the majority of the market participants. This is true for Chicago as well as Kansas City. Grain companies are blocking access by refusing to issue deliverable receipts to everyone except a very exclusive group. I understand the need to keep warehouses open for business so that crops can be handled in a timely manner and in times like this year when we are blessed with abundant crops, storage space is tight. I would prefer physical delivery be made more accessible but if that is unrealistic then it appears a cash settlement is the most reasonable answer. If you are truly interested in convergence then every business day would be a possible settlement day. A minimum number of elevators', warehouses', end users', and exporters' bids would be averaged each day to post a daily cash price. No one company or their subsidiary would have more than one bid in the average. The holder of the short position would declare he wanted to cash settle.

The Average cash price for the day would be used to settle his position.

A carry factor could be used for the off month such as first half June would be 6 back of July, Second half June would be 3 back of July and the whole Month of July would be settled straight. Some type of correction factor for location may also need to be applied. Because every business day is in a settlement period and no company has more than one bid in the average, manipulation should be minimized. USDA already collects price info for their PCP and Acre program. I am not sure, but I don't think the warehouses they monitor for their calculations even know who they are. I have tried to find out only to be told that is not public information, all they would say is they use a terminal in Kansas City and one in Amarillo. I am not sure I agree with that philosophy but I understand it. Personally I would prefer more openness so there would be a higher sense of accountability. By switching to a cash settlement, all market participants would have access to the same marketing tools creating a much more fair and competitive market. The corn market appears to lend itself to cash settlement the easiest because of the huge number of unrelated end users. Soybeans and wheat appear to be the most difficult because of the limited number of players in the terminal markets. Perhaps we have reached a point where there are so few of players that they need to be regulated much the same as a public utility is. Or maybe the anti-trust laws need to be enforced or some combination of the two could be applied to the large grain companies. Thank You for your time and consideration. By the way I am a farmer from Pratt County, Kansas

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