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To: Dunn, Michael
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Commissioner Michael Dunn

Commodity Futures Trading Commission

Mr. Dunn:

Here are some lines of questioning you might consider pursuing with CME and industry reps tomorrow:

1. Vomitoxin – What is the normal market for a loaded barge of 4 ppm soft red wheat? Won't any elevator always deliver, or ship against normal contracts, the lowest-value item that meets contract specs and maximizes shipper profit? Isn't even the new, 24c discount to take effect in 2011, inadequate by a large margin? From the delivery-taker's standpoint, is it even possible to permit any delivery of 4 ppm, given the cost and difficulty of blending it down to the 2 ppm contractual standard once it's loaded into a barge? Therefore, does doing so not more or less guarantee that carrying charges, regardless of what they are set at, will be far wider than if the contract represented standard commercial contracts? Doesn't doing so heavily subsidize delivery elevators, to the detriment of contract performance? If 4 ppm is so undesirable from a financial standpoint in the barge market, and so overvalued by even the new 2011 standard, doesn't that alone make "convergence" with the industry standard next to impossible?

2. Variable Carrying Charges - If this scheme were implemented, particularly while it's permitted to deliver loaded barges of 4 ppm at a 24c/bu discount, why is that not tantamount to legislating huge further profit increases profits to delivery elevators, with the benefits to others much further out? Given that carrying charges were just widened by 60% on June 1, and that the Toledo bid remains near $1 under, what evidence is there that widening them ad infinitum wouldn't result in a wildly distorted market, with the main financial effect that delivery elevators reap truly gigantic profits? If any evidence exists, doesn't it at best postpone any return to

contract credibility for another year or more, but guarantee an immediate enrichment of delivery profits, and that the contract will go on trading as more of a gambling instrument rather than return rapidly to acting as the proxy for barges of No. 2 Wheat that it must for CFTC to allow it to continue being traded on an exchange it has charge of?

3. The CME presentation calculates cost of rules change in a manner which it feels shows that changes should not occur until September 2010. There is neither consideration nor mention of the financial effect on elevators, bakers, etc., that are the reason the contract exists. In testimony to a Senate subcommittee, its Vice-Chairman specifically stated that it was not aware that anyone had lost any money on account of its wheat contract's non-convergence. How can CFTC countenance another year of a contract which should technically not be permitted to trade at all, probably not for the past few years without sharp disciplinary and corrective action, certainly not knowingly for another year? Why do current position holders have the right to, or want to, go on trading under rules which result in price fluctuation unrelated to cash wheat? Does CME not understand that the gross year-on-year dissociation of its wheat contract with the actual wheat market makes massive economic difference to the world wheat foods trade? Does CME not understand that those costs are far larger then what CME has presented here, and further, that those costs are the direct effect of its contract's status quo? And further, that that lost cash-hedging vehicle is what CFTC must immediately restore, that it is not responsible for the losses or liability of CME for its ineffective stewardship (from which it, ironically, has still been profiting)?

Mr. Dunn, if CFTC allows CME to wait a year, it will be accused of negligence, playing patsy with CME and some of the larger grain companies. If it orders VS implementation sooner, it is just as open to accusations of being in bed with ADM, the Andersons, and the Chairmen of the NGFA who is also President of a company whose raison d'etre is profiting from the CME futures delivery system - and the new rules are unlikely to work anyway, and plenty of time has already been granted for trying new rules changes. Also, if CME gets sued CFTC will claim that CFTC's order indemnifies it, drawing CFTC messily into unclear legal territory. Futures carrying charges could get wildly distorted for a year or two, causing further outcry which CME will blame on CFTC, until a complete redesign is implemented. If 4 ppm is not eliminated, it is almost certain convergence will either not occur, or that Toledo bid will wildly go from current \$1 under to \$1 or more over the nearby contract, with further giant profits accruing to elevators. If in a year (or two, if 9/1/2010 is the start date), carrying charges are a ridiculous 24c/month and the Toledo basis is 30c under rather than the current \$1, CME and the industry will claim progress and ask for more time. In short, there's really no positive outcome for CFTC to wade into this fray and approve rules that pick industry-sector "winners" and for the outcome of which it will be held partly accountable - particularly when there remain so many holes in the proposed rules which make success remote.

You were acting Chairman of CFTC, you gave CME the rope to try four different contract changes on July 1 which had no impact, and I would hope that you reflect back on your being made Commissioner to make correct decisions regardless of whether that produced some long faces or took some candy away from powerful groups.

I would encourage CFTC, whose role is to follow and enforce proper performance of regulated exchanges, not to act as a technical rubber-stamp for an industry body (NGFA) dominated and led by representatives of the sector passively reaping uneconomic profits. CFTC can decisively execute its responsibility and stay out of the above "birds nests" by: requiring CME to converge its contract (not from $1 to 50c or 25c, but CONVERGE) within a specified time limit, or shut down; levy a fine against CME, grounded on the enormous costs to the public from past and future non-performance; order a complete re-design so that there will be a fall-back in place. At minimum, a defined time limit, and not one measured in years, is called for.

Respectfully,

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