secretary

From: NoReply@cftc.gov
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To: secretary
Subject: CFTC Public Comment on IF 10-016

A comment has been submitted on IF 10-016
Submitter Name: MrDavid AMiller
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Submitter comment: May 6, 2011 Mr. David Stawick Office of the Secretariat Commodity Futures Trading Commission Three Lafayette Centre 1155 21st Street, N.W. Washington, D.C. 20581 Re: CBOT Submission No. 11-161 Proposal to Amend CBOT Rule 10102.D. to Increase Daily Price Limits in Corn Futures and Options The Iowa Farm Bureau is the largest general farm organization in Iowa representing more than 153,000 members. We provide the following comments on behalf of our farmers who are affected in multiple ways by the operations of the corn and other grain futures markets. First, we respectfully ask the CFTC to not allow an expedited process on this request. There is no emergency. The corn futures markets are operating in an orderly fashion with the current daily limits providing appropriate circuit breakers. Price discovery is not being hampered by the current daily trading limits and changing the daily price limits on corn would likely trigger requests for changes in daily trading limits on other grains and oilseeds and their products in order to maintain balance in inter-commodity relationships. This should not be done without normal, due consideration of all of the ramifications of such a change. Second, the CME Group states in their proposal to the CFTC that market participants support this change. I can assure you that farmers across Iowa do not support this change. Farmers use the futures markets directly as traditional hedgers and raising the daily trading limits could result in severely negative impacts to their ability to meet daily and inter-day margin requirements that could move as much as $5,500 per contract per day under the CME proposal. Daily price limits are in place to allow orderly movement of markets rather than excessively volatile gyrations to the latest rumor. Recently, the corn market traded limit down on a rumor. Overnight, it was determined that the rumor was not true and it traded limit up the following day. The market's orderly processes were enhanced by the imposition of a reasonable daily trading limit rather than exposing the whole grain and farming industry to wild swings based on rumors. Third, the underlying cash markets for corn could experience severe disruptions if excessive volatility is allowed to be fostered in the corn futures markets. Many cooperatives and grain companies offer cash forward contracts based on the CME corn futures markets. These companies need orderly markets if they are going to be able to handle the daily fluctuations in margin requirements. A proposal that would allow a daily corn price movement of 50 cents per bushel, expandable to $1.10 per bushel is extreme. Farmers are very concerned that expansion of the daily price limits could result in grain industry companies severely restricting the offering of cash forward contracts and other cash-grain derivatives. The CME action would increase risk in the country-side and the cost of this increased risk would be priced into these products reducing the net price farmers would receive for their grain. It is likely that the only real supporters of this proposal are those high-speed traders that profit from increased volatility and are not concerned with the impacts on the underlying market performance. Flash-crashes have already happened in the stock market and there is no compelling reason for the CFTC to allow such things to happen in the corn and grain futures markets. Fourth, evaluation of corn futures data since March 2008 (when daily price limits were last changed) shows only 25 out of 782 trading days (or 3.2%) that triggered an

expansion of the daily price limit from $0.30 to $0.45. On trading days with the expanded limit, prices changed by less than $0.30, 93% of the time. Price changes have never reached the $0.45 limit. In other words, the markets themselves have not suggested a need to move to the $0.75 limit currently proposed and there is no evidence an expanded limit of $1.10 is warranted by market action. Fifth, the CFTC has an agricultural advisory committee. This proposal should be reviewed by that committee and examined for its impacts not only on the corn market, but for its impact on the whole grain and oilseed trading complex. The farmers of Iowa Farm Bureau did not oppose the expansion of the daily trading limits to current levels. We understand the importance of efficiently functioning futures markets and the need for efficient and effective price discovery. However, this proposal is not likely, in our opinion, to improve either the efficiency or the effectiveness of market price discovery and market performance. At a minimum, the CFTC should take the time to have a broader review of this proposal by its own internal advisory committees and provide normal, adequate time for public input on this important topic. Thank you for the opportunity to provide these comments Sincerely, David A. Miller Director of Research and Commodity Services Iowa Farm Bureau Federation 5400 University Ave West Des Moines, IA 50266 Ph: 515-225-5430 email: damiller@ifbf.org Submitter IP Address: