IOWA DEPARTMENT OF AGRICULTURE AND LAND STEWARDSHIP

Bill Northey, Secretary of Agriculture

May 18, 2011

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 – 21st Street, N.W.
Washington DC. 20581

Re: Proposal to amend CBOT Rule 10102.D. requests increases to Daily Price Limits in Corn Futures Trading. Also referred to as CME Submission No. 11-161R.

Dear Mr. Stawick;

Thank you for the opportunity to provide input on this proposal to increase the daily price limits in corn futures trading and I appreciate your consideration of my comments and the input you will receive from many others in this important industry sector.

I have concerns about the current proposal and am not convinced that it is necessary to raise the daily trading limits at this time. While values are lofty at the current time, corn futures traded under $4.00 as recently as July and August of last year. Similarly, after reaching record levels during the summer of 2008, values retreated to more typical levels very quickly.

As a result, I am concerned that this proposal is creating a permanent "solution" to what may be a temporary situation. I believe these levels should be sustained for a much longer time period before proposed changes such as this would be justified.

The potential for higher margin requirements, and margin calls, as well as the increased volatility created by this proposal are a concern. For example, the cost of borrowing for most hedgers will be increased by 33% under this proposal. Traditional corn hedgers today rely on the price discovery mechanism that the CBOT provides and simply getting out or sitting on the side of the market is not a realistic option as it is in the case of speculators. This proposed action would unquestionably cost our traditional hedgers a lot of money and could reduce active participation the market. This action creates a still greater barrier to market entry and effective risk management.

The greater volatility is also a concern. The possibility of corn price movements of $1.00 in only two days of trading seems drastic. Likewise, only three days of trading could see corn rise or fall by up to $1.60. While I understand that one of the goals of this proposal might be greater liquidity in the market, I am concerned that the net result may be less liquidity and greater volatility. The greater daily ranges seem to provide greater opportunities for speculators while offering additional risk and cost to traditional market participants that need to hedge their respective positions.

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I would urge you to decline the request to increase the daily price limits at this time. For most participants, this proposal runs counter to the basic premise of using the futures markets to reduce risk. Thank you for your time and consideration. I can be reached at 515 281-5321 should you need to contact me.

Thank you for your consideration.

Sincerely,

Bill Northey
Iowa Secretary of Agriculture

Cc: Senator Chuck Grassley
Senator Tom Harkin
Representative Tom Latham
Representative Steve King
Representative Leonard Boswell
Representative Bruce Braley
Representative David Loebsack