secretary

From: Roger Caffrey
Sent: Tuesday, May 03, 2011 6:02 PM
To: secretary
Cc: 'Todd Kemp'; 'Randall Gordon'
Subject: CBOT Corn Price Limits

This is being written in opposition to the proposed increase in the daily corn price limit.

MFA Inc. is a 45,000 member farmer owned Cooperative that owns and operates over 60 grain elevators of various sizes scattered throughout Missouri with a few facilities located in Iowa and Arkansas. MFA utilizes grain futures contracts for hedging until we can arrange for movement of grain to one of multiple domestic and export destinations. Our annual futures volume normally exceeds 60 million bushels in a weak year to 75 million bushels in a good year. That equates from 12,000 to 15,000 futures contracts (5,000 bushels each) annually. Of that, corn annually accounts for more than 70% of our futures volume.

MFA has a significant stake in how such changes will potentially undermine the "true purpose of futures" ..... accurate price discovery of the underlying commodity and the facilitation of convergence.

I have been told that CFTC would like to see specific numbers and impacts from increasing the daily corn price limit from 30 cents per bushel to 50 cents per bushel. The problem with that is since it is yet to occur, one can only use past experience and knowledge to arrive at estimates of impact. Instead of attempting to create meaningless numbers based on events yet to happen, and given the fact that I do not have ready access to the mounds of data needed to build and support a constructive argument, I will turn to the use of a simple common sense approach. Additionally, the burden of proof lies with those who request change (CME) to show the real need for the proposed changes as well as adequately address how the proposed change will not produce adverse consequences. In their submission to CFTC, I do not believe they accomplished either.

1. CME presents that an increase in limits is needed because of volatility. However, the history behind the establishment of daily limits was to control unfettered emotionally price swings.... to maintain some order in market price discovery... speed bumps against wild swings not specifically based on true fundamentals related to the intrinsic value of the commodity. I contend that the proposed increase in price limits creates additional volatility rather than being a logical response to volatility.

The existing limit of 30 cents is more than adequate to handle current price discovery. Yes we have seen 30 cent limit moves in a day, but not often. And yes, we have seen some second days limit moves during a session but that is more of a rarity and has certainly not been problematic for price discovery. A review of past day to day trading will see far more often price reversals within the existing limits. And on those days when a limit move was made, you most often see a day were the following day's price move is well within the limit and regularly in the opposite direction. Fact, most days do not see corn moving the 30 cent limit. CME argues that the increased limit is needed because of the recent price rises. Yes, corn prices have been increasing over the past months but they have moved "orderly" within the existing limit.

Today for example: New Crop (December 2011) was up 1 cent closing at $6.62 1/4. It is where the market traders say it should be -- today; and it did not take 50 cent daily limits to get there --- there is absolutely no compelling argument that by "not having an increased trading limit" we have somehow restricted price discovery as of this time and moment.... or yesterday, or last week, or the month before. In simple terms, the market limit is currently not broken --- so do not break it.

2. This would be the first domino in the chain. Corn will not be an island unto itself. Raise daily corn limits to 50 cents and then comes the argument that soybean limits (as well as products) need to be raised as well to maintain the "relationships". And, you can't have corn at 50 cents with wheat at 60 cents, so raise wheat price limits as well. And once you raise the CBOT wheat limit then the Minneapolis and Kansas City exchanges will "have to" raise... etc. All bad for the same reasons that raising the corn limit is bad. And as with corn, it will only increase the volatility.

3. This will all have a negative financial impact on the commercial grain industry. The wider daily price range will mean greater potential price swings and that will of course justify increasing maintenance margins as well as opening up the

door for greater daily margin calls. Interest rates are now low but margin requirements are already putting some significant financial stress on a number of grain handling businesses. Particularly hard hit are the smaller elevators that are often farmer owned cooperatives or small business operations. A future increase in interest rates will only compound the burden on commercial hedgers, large and small. These type of moves are not improving the overall economic condition of the country in a time that we all need to see continued recovery.

If I were part of CME's management I would certainly want to do whatever it takes to attract more and more trading volume. After all, it is a fee based business with stock holders and a board of directors to answer to. However, I do not believe we should so easily forget the real purpose of a futures market in providing for orderly price discovery for the conduct of legitimate "cash" business with a bigger & greater purpose of serving the public good. I do not see this proposal doing either of the latter two.

Thank you for giving me the opportunity to express my opinion on this matter.

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