NATIONAL CORN GROWERS ASSOCIATION

May 11, 2011

Mr. Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Dear Chairman Gensler,

On behalf of the 35,000 plus members of the National Corn Growers Association (NCGA), I am writing to voice our opposition to CME Group's proposal to increase daily price limits on Corn Futures and Options CBOT Rule 10102.D. NCGA believes the proposed increase from $0.30 per bushel to $0.40 per bushel will not aid price discovery and the ultimate cost will be borne by growers.

NCGA recognizes the valuable role non-commercial traders and speculators plays in an orderly functioning Futures market. Furthermore, we view liquidity as a necessity in a healthy market. But for price discovery to function properly, a balance must exist between emotional elements (speculation) and market fundamentals. Daily price limits provide that balance by imposing a breathing period.

We fail to see how the proposed 33 percent increase in daily price limits would enhance this check against irrational price runs. The current trading rules already provide a mechanism to raise price limits in the event that trading "limits out." In their proposal, CME cites the number of contracts that settled at their daily limit. But, how many times was trading stopped by limits on back-to-back days? The test for impediment to price discovery would be consecutive days of trading cessation even after price limits are increased. This situation has not occurred.

For growers, this issue is not a theoretical debate about price discovery, but a real dollar and cents concern. Under the proposed increase, grain elevators will face higher trading margins and more margin calls. During the extreme market volatility in 2008, numerous elevators exhausted their operating capital and lines of credit, and in a few instances had to liquidate their positions or face insolvency. As a consequence, elevators dramatically spread the basis, added new fees for certain marketing tools, and curtailed bids for future grain contracts. These responses to increased volatility risk are still in place today, yet the CME proposes more volatility.

NCGA opposes CME Group's proposal to increase daily price limits. The increase will needlessly increase market volatility without aiding price discovery, and in the end growers will bear the brunt of higher volatility.

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Barton O. Schott

Bart Schott
President