National Grain and Feed Association
North American Export Grain Association
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May 10, 2012

The Honorable Gary Gensler
Chairman, Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler:

The National Grain and Feed Association (NGFA) and the North American Export Grain Association (NAEGA) hereby respectfully request that the Commodity Futures Trading Commission (CFTC) institute a 30-day public comment period to take input and further analyze plans by both The Intercontinental Exchange (ICE) and the CME Group to commence 22-hour per day electronic trading of grain and oilseed futures contracts.

The NGFA and NAEGA are not opposed to some reasonable and properly constructed expansion of electronic trading hours. In fact, some of our member firms perceive benefits from being able to hedge their cash grain transactions through a longer period of the day. By the same token, the NGFA and NAEGA are not opposed to the establishment of ICE's new electronically-traded contracts for grains and oilseeds. Generally, we believe that competition is a benefit to customers.

However, as currently formulated, both ICE's plans for new contracts with greatly expanded trading hours and the CME Group's plans to expand hours raise serious issues that could lead to competitive inequalities and impose significant additional costs due to personnel and systems changes. Neither the ICE contracts nor the CME Group's plan to expand electronic trading hours were properly vetted with appropriate market participants. It is safe to say that there are significant and substantive opposing views as to whether these plans, as currently constituted, are of net benefit to the industry.

First, there is significant concern about futures markets being open during release of key reports issued periodically by the U.S. Department of Agriculture. Market participants utilize USDA crop production reports, crop progress and grain stocks reports, planted acreage reports and others to adjust their risk management strategies and futures positions. Trading through release of these reports could lead to extreme volatility immediately following their release. Further, there is currently unequal access to USDA report data due to Internet connection speeds and analysis capabilities. We believe it is prudent that these reports be released while futures markets are closed – or at the least during a break in trading – so that all participants, including farmers and ranchers, have the opportunity to access and analyze information and adjust their positions for when trading resumes.

There is also significant concern about the expense and the strains that the exchanges' current plans will place on industry systems and personnel. Currently, open outcry and electronic trading in grain and oilseed futures contracts on the Chicago Board of Trade close at 1:15 p.m. central time, allowing firms sufficient time for the balance of the business day to close their books and perform accounting and other back-office functions. If electronic trading stays open through late afternoon or early evening, these firms (especially those in the eastern time zone) will be faced with putting on extra personnel and/or paying overtime to work into the evening hours. In addition, firms are struggling to assess – in an extremely short period of time – software and systems changes needed to manage the new hours and different closing times for open outcry and electronic trading.

Other concerns include some very practical questions: how cash grain purchasers will price bids to producers during the period when open outcry is closed and the day's settlement price has been established, but electronic markets continue to operate; the mechanics of how margining to the clearinghouses will be managed with two different closing times; and potential discrepancies between hedgers' cash positions and their brokerage statements at the end of the day.

All of these issues would be better understood by the exchanges, the industry and the Commission given the benefit of a 30-day comment period. We believe that there is no compelling reason why 22-hour trading needs to begin imminently. It is much preferable that expanded hours and new contracts be analyzed in a deliberate fashion for effects on cash and futures markets, volatility and producer-customer relationships than to rush to implementation unnecessarily.

If a 30-day comment period is not feasible on this important matter, we urge the Commission to approach ICE and CME Group to advocate a slow-down in implementation so these critically important issues – which were not adequately vetted prior to their announcements – can be addressed. We believe strongly that ICE and CME both should be subject to the same comment period or implementation slow-down in order to avoid disadvantaging either organization. We would be very happy to discuss the above issues and answer any questions.

The NGFA is the national non-profit trade association representing about 1,050 companies that operate an estimated 7,000 facilities nationwide in the grain, feed and processing industry. Member firms range from quite small to very large; privately owned, publicly traded and cooperative; and handle or process well in excess of 70% of all U.S. grains and oilseeds annually. Companies include grain elevators, feed mills, flour mills, oilseed processors, biofuels producers/co-product merchandisers, futures commission merchants and brokers, and related commercial businesses.

NAEGA, a not-for-profit trade association established in 1912, consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. NAEGA's mission is to promote and sustain the development of commercial export of grain and oilseeds and their primary products. NAEGA members are engaged in the vast majority of U.S. grain and oilseed exports, whose value exceeds $50 billion annually.

Sincerely,

Matt Bruns

Matt Bruns, Chair
Risk Management Committee
National Grain and Feed Association

Gary C. Martin

Gary C. Martin
President and Chief Executive Officer
North American Export Grain Association

Randy Gordon

Randall C. Gordon
Acting President
National Grain and Feed Association

Identical Letters Sent to:

The Honorable Jill Sommers
The Honorable Bart Chilton
The Honorable Scott O'Malia
The Honorable Mark Wetjen

cc: David Stawick