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**COMMENT**

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OFFICE OF THE SECRETARIAT

September 30, 1999

Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

RE: Comments on the CFTC's proposed changes to its Agriculture Trade Options pilot program

To Whom It May Concern:

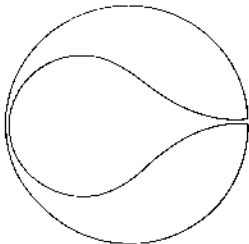
Cargill is a privately held agribusiness company founded over 130 years ago in Iowa. Today the company is headquartered in Minneapolis, Minnesota, and is involved in marketing, processing, and distributing agricultural, food, financial, and industrial products throughout the world. We have some 80,000 employees in more than 1,000 locations in 65 nations with customers and suppliers in approximately 130 countries.

Cargill would like to provide its comments regarding the Commodity Futures Trading Commission's proposal to amend its rules with respect to the sale of off-exchange agriculture trade options (ATOs). We appreciate the Commission's willingness to consider changes that are necessary to encourage participation.

Cargill would like to comment both on the positive aspects of the CFTC's proposed changes as well as the areas where we believe the proposal still requires additional amendment. In particular, we will focus on what we believe are three of the more difficult areas, that of registration (and reparations) requirements, record-keeping requirements and exemptions for some market participants.

First, we would like to commend the CFTC for allowing ATOs to be cash-settled. This is a critical change from the previous program. Failure to allow cash-settlement would remove one of the primary benefits of options - the ability of an option buyer to recoup a portion of the premium from a poorly positioned option transaction. We believe the risk disclosure requirements are reasonable and necessary.

Cargill also approves of the improvements in regulatory strictures imposed under the original ATO pilot program. In particular, the switch to annual reporting will greatly reduce the paperwork required to participate in the program. Furthermore, we appreciate the CFTC's decision to limit the number of principals who must register as principals under the pilot program. Finally, we commend the CFTC for eliminating the mandatory training requirement and the requirement to notify the CFTC upon the departure or hiring of an AP. Cumulatively, these changes will make the ATO pilot program much more manageable and should encourage participation.



Although the CFTC has proposed some improvements to minimize unnecessary record-keeping requirements, we believe additional changes are needed. In particular, the CFTC has chosen to retain its requirement that ATOMs maintain records of solicitations in all forms. This is a substantial burden that may be unnecessary to provide adequate protection. We request that this requirement be removed and that the CFTC provide additional guidance regarding what types of solicitations it believes the government must oversee.

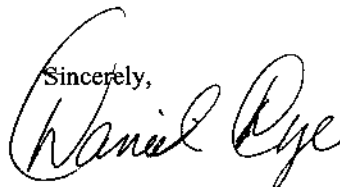
The \$10 million exemption level for ATO participants remains a concern. Cargill believes the exemption level is too high. While we recognize that the intention of the exemption level is to protect small market participants, users of options are sophisticated business people. . Thus, the \$10 million exemption will restrict both interest in and participation in this important risk management program. We urge the CFTC to lower the exemption level to \$1 million to be the same as the level for the swaps exemption.

Finally, we remain concerned with regard to the reparations provisions of the CFTC's proposal. As a market participant with no intention of operating outside of the CFTC's rules, Cargill believes that maintaining the reparations provision will simply harbor suspicion between grain merchants and farmers. This ultimately will hinder the development of strong relationships between the grain industry and producers as well as limit participation in the ATO pilot program.

However, to the extent that the CFTC insists on including reparations authority, we hope you recognize that many potential ATOMs will be wary of participating in the program. The prospect of legal action being taken against an ATOM as a result of reparations authority represents a significant deterrent. This is particularly true if the CFTC is perceived as primarily concerned with "protecting" producers. To the extent that the CFTC can clearly convey its intention to protect the rights of both the buyer and seller of options equitably and fairly, the program will surely benefit.

Cargill believes improvements have been made to the CFTC's initial ATO pilot program. However, in order to generate substantial interest in this program, additional changes in the areas of reparations and record keeping are required. Cargill will reconsider its decision not to register as an Agriculture Trade Option Merchant based on the outcome of this rule making and hopes to provide new, important risk management products to our farmer customers.

Thank you for your consideration.

Sincerely,  


Daniel Dye  
Vice President