



United Egg Producers

UEP Headquarters
1720 Windward Concourse • Suite 230 • Alpharetta, Georgia 30005
(770) 360-9220 • Fax (770) 360-7058

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Vice President of
Government Relations

Michael McLeod, Esq.
Washington Counsel

Randy Green
Sr. Government Relations Rep.

May 7, 2008

The Honorable Walt Lukken, Acting Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. Chairman:

United Egg Producers (UEP) is a farm cooperative whose members independently market 97% of all the shell eggs produced in the United States. UEP commends the Commodity Futures Trading Commission for holding a forum on April 22 to hear the views of participants in the agricultural futures markets.

More than half of the cost of producing a dozen eggs is feed. Corn and soybean meal make up the large majority of feed costs. Thus, the futures markets are important for our members as they seek to manage their risks in procuring feedstuffs.

Needless to say, the sharp run-up in commodity prices has had a material and adverse effect on our members' production costs. In addition to the impact of higher price levels on feed costs *per se*, our members have also faced higher and more frequent margin calls. As reported to the CFTC by a number of participants at the April 22 forum, the range of forward pricing instruments available to both buyers and sellers has been adversely affected by current market conditions.

We are quite aware that the futures markets themselves did not cause high prices. Our nation's sudden decision to force a large portion of the corn crop into fuel ethanol production certainly would have sent prices climbing even if market performance had been optimal, and other fundamental factors have also been at work



Official U.S. Council Representative

Washington Offices

UEP Government Relations
One Massachusetts Avenue, NW, Suite 800
Washington, D.C. 20001
(202) 842-2345 • Fax (202) 408-7763

UEP Iowa Office

Box 170
Eldridge, IA 52748
(563) 285-9100 • Fax (563) 285-9109

However, a wide range of market observers agree that market prices and volatility have, in fact, been affected by the rapid and large-scale inflow of speculative capital. Participation by both actively managed hedge funds and passively managed, long-only commodity index funds has increased dramatically. Index funds in particular introduce a new “natural long” to the marketplace that has not previously been present, with consequences that are still not clear.

A distinct but related issue is whether futures markets are losing some of their efficiency as a hedging mechanism. Unusually wide basis levels for several commodities and poor convergence of futures and cash prices at contract expiration are among the concerns cited by market participants. The causes of these problems are not clear, and could in some cases have more to do with contract specifications and delivery procedures than with speculative capital. But the concerns of commercials are real and growing.

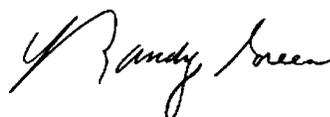
We believe the CFTC should study the comments received on April 22 and since then, and formulate a series of questions or issues to which you would seek more detailed and specific responses in a subsequent comment period. We also believe that index funds fit the economic characteristics of speculative rather than commercial market users, and there are strong arguments against granting hedging exemptions to these funds.

Thank you for your consideration of our views.

Sincerely,



Howard M. Magwire
Vice President of Government Relations



Randy Green
Senior Government Relations Rep.