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AMERICAN FEED INDUSTRY ASSOCIATION

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OFFICE OF THE SECRETARIAT

January 29, 2008

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**COMMENT**

Re: *Risk Management Exemption From Federal Speculative Position Limits*

Dear Mr. Stawick:

I write to provide you with the American Feed Industry Association's (AFIA) position regarding the Commodity Futures Trading Commission (CFTC) proposal to allow certain types of funds a Risk Management Exemption From Federal Speculative Position Limits.

AFIA is one of the nation's foremost agribusiness associations, devoted exclusively to representing the business, legislative, regulatory advocacy and educational needs of the animal feed industry and its suppliers. AFIA membership includes 560 domestic and international companies, as well as state, national and regional agribusiness associations. Member firms include feed and pet food manufacturers, livestock and poultry integrators, animal health companies, ingredient suppliers, equipment manufacturers and companies which supply other products, services and supplies to feed manufacturers. AFIA members represent over 70% of the commercial feed and pet food manufactured in the United States each year.

The feed industry makes a critical and significant contribution to food safety, nutrition and the environment. Given feed represents approximately 70% of the on-farm cost of raising livestock and poultry, our industry plays a critical role in the safe and affordable production of meat, milk and eggs.

The U.S. feed industry is the single largest purchaser and user of corn and soybeans, as well as their processed meals and byproducts. It is critical the grain, oilseed and ingredient commodity markets accurately reflect true supply and demand situations for these commodities.

Allowing certain types of positions held by funds to be classified as risk management positions will only encourage more speculation to occur in these commodities. The result of this will be increased volatility and further distortion of the relationship between the financial and physical markets for the end users that depend on these markets for business risk management.



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It is important to note that while these funds may be hedging the invested capital, the initial investments are speculative and thus this exemption should not be allowed.

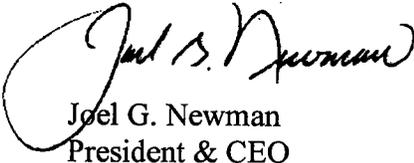
There is a large speculative interest in agricultural commodity futures markets today. In some crops, the trading on a daily basis almost meets the entire U. S. crop volume, which significantly adds to the price volatility. This effects both the price and hedging effectiveness of these commodity markets. The initial intent of these agricultural commodity futures markets was to provide an effective risk management tool for producers and buyers of grains and oilseeds, which benefits both producers and consumers. This proposal will further distort these markets and their effectiveness as a risk management tool.

As a result of the higher capital costs required as a result of the increased volatility, several end-user firms are reducing their use of these markets. This defeats the fundamental purpose of these futures markets.

Based on the above stated reasons, AFIA opposes the Commission's recommendation to allow certain types of funds a Risk Management Exemption from Federal Speculative Position Limits. This proposal will result in increased volatility and reduced ability for the feed and livestock processing industry to effectively manage business risk. The agriculture markets were established to provide an efficient, price discovery mechanism and a hedging/risk control vehicle for the grains and ingredients markets. These functions for the end-user must be preserved in any changes considered by the CFTC.

AFIA appreciates the opportunity to provide comments. Please do not hesitate to contact me if I can provide further information or you have questions regarding the feed industry's position on this recommendation. AFIA looks forward to working with the Commission to ensure the markets remain an effective tool for the end-users.

Respectfully submitted,



Joel G. Newman  
President & CEO