

April 14, 2004

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Ms. Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

2005 APR 14 PM 4:30  
RECORDS SECTION

COMMENT

**RE: PROPOSED REVISION OF FEDERAL SPECULATIVE POSITION LIMIT**

Dear Ms. Webb:

Pursuant to the Commodity Futures Trading Commission (Commission) request for comments in the March 15, 2005, *Federal Register* notice (Volume 70, Number 49), the American Farm Bureau Federation (AFBF) and the National Farmers Union (NFU) are pleased to provide their support for the Commission's proposed rule amendments.

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**Background –**

We support the CFTC's role as an overseeing governing body to ensure the integrity of all U.S. commodity futures and options exchanges. The exchanges perform a critical price discovery function for traded agricultural commodities and inputs. Commodity futures and options trading serves a useful purpose for a number of commodities by providing a means to transfer certain types of risk. Furthermore, futures markets have a substantial influence on the prices received and paid by producers in their respective cash markets. We are vitally interested in ensuring that the exchanges are able to fulfill their duties in terms of providing risk management and price discovery for U.S. farmers and ranchers and others who utilize these markets, including speculators, while also ensuring market integrity.

We support the modifications achieved by the Commodity Futures Modernization Act of 2000 (CFMA), which adjusted the level of active regulation of the nation's futures markets by the Commission. The CFMA has worked as intended, effectively responding to a number of fundamental market changes created by technological innovation, greater levels of sophistication and risk assessment capacity of those actively engaged in futures markets, and increased competition from alternative exchange and off-exchange products and markets both domestically and globally. In addition, the CFMA streamlined the historic regulatory mandate of the Commission, while maintaining the levels and types of oversight necessary for the specific characteristics of different futures commodities and products.

**Proposed Rulemaking –**

We, along with other agricultural associations, previously commented on August 16, 2004, regarding our support of the concept of expanded speculative limits which enhance the ability of market participants to manage both risk and profit. We thank the Commission for its acknowledgement of our strong concerns regarding the repeal of regulation 150.2. While we continue to oppose the transfer of regulatory authority to impose federal speculative position limits for all agricultural commodities enumerated in regulation 150.2, we can appreciate some of the issues presented by the Chicago Board of Trade (CBT), Kansas City Board of Trade

(KCBT) and the Minneapolis Grain Exchange (MGE) in their petitions seeking modifications to the current federal speculative position limits for the enumerated agricultural commodity contracts.

We understand that the Commission's proposal to revise speculative position limits is in part based on the exchanges' petitions, which cite a need for enhanced flexibility. The proposed action appears consistent with the intent of the CFMA to provide flexibility to the marketplace, while still recognizing and maintaining the historic regulatory role of the Commission in establishing federal speculative position limits for the enumerated commodities. Therefore, we support increasing single-month and all-months-combined position limits as proposed by the Commission based on their review of regulatory criteria for each of the indicated contract markets, their experience in administering these limits, and their intent to maintain the existing marketplace ratios between individual-month and all-months-combined limit levels.

With respect to the MGE and KCBT wheat contracts, we support the Commission's proposal to maintain federal speculative position limit parity among the wheat contracts traded on each of the exchanges. Finally, we support the repeal of federal speculative limits for agricultural commodities traded on the MidAmerica Commodity Exchange (MidAm) and for the white wheat futures contract traded on MGE. The MidAm no longer exists as an independent Designated Contract Market, and the MGE no longer lists a white wheat contract for trading; thus, the respective federal speculative position limits are obsolete.

Thank you for the opportunity to submit these comments to the public record.

Sincerely,

American Farm Bureau Federation  
National Farmers Union