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secretary

From: wroenigk@chickenusa.org
Sent: Friday, January 18, 2008 4:33 PM
To: secretary
Subject: Public Comment Form

COMMENT

Received CFTC
Records Section
1/18/08

Below is the result of your feedback form. It was submitted by (wroenigk@chickenusa.org) on Friday, January 18, 2008 at 16:32:37

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commenter_subject: Proposed Revisions of Fed. Speculative Position Limits

commenter_frdate: December 31, 2007

commenter_frpage: 74213

commenter_comments:

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RECEIVED C.F.T.C.

January 17, 2008

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

Re: Proposed Revision of Federal Speculative Position Limits

Dear Mr. Stawick,

On behalf of the National Chicken Council (NCC), which represents companies that produce/process about 95 percent of the chickens in the United States, I thank you for the opportunity to present comments on the proposed revision of Federal speculative position limits for agricultural commodities. NCC poultry company members represent some of the country s largest corn and soybean meal end-users. NCC, therefore, believes that it is imperative that the financial markets reflect the fundamentals of the supply and demand for the grain markets. However, based on the current market environment and the existing money flows into different commodities, allowing these increased limits will further encourage monies to flow into these commodities. This will cause increased distorted price action and an increase in unwarranted volatility for end-users. Our members do not want nor need such volatility.

We are disturbed by the size of the proposed change in the Federal speculative position limits. With corn trading over $5 a bushel, soy meal hovering around $350 a ton and old crop wheat at a sustained price above $9, there already exists significant open interest as well as trading liquidity. In fact, perhaps the primary reason for the proposal to increase the speculative limits is to attract monies that are flowing into the over-the-counter market (over which NCC believes the CFTC has inadequate oversight) to the exchange .

NCC does not support the proposed revision of the Federal speculative position limits because NCC feels that ample opportunities exist for speculators to participate in these commodity markets. As it is, price distortions exist in the market that the CFTC has not addressed . Because of the heightened interest in commodities as an investment vehicle, the expected convergence between the physical and futures is not occurring. The futures prices relative to the physical contract are not accurately reflecting the cash-market carrying charges one of the reasons to have this derivative instrument. End-users hedge their exposures using the financial markets based on the implicit assumption that the payoff profile between the physical and financial does not breakdown and they are positively correlated. That does not exist today across all these grain markets. If we do not have convergence between the futures and the physical markets, what is the business function for the financial market ? Without convergence, the futures markets primary purpose will be as a speculative instrument. By increasing the speculator s ability to trade, the CFTC will exacerbate the current distorted relationship between the financial and physical.

In addition, NCC does not support providing an exemption for index funds and classifying them as hedgers because they are not. What underlying business are they hedging? They are pure profit mechanisms for the investor to participate in the potential upward or downward price volatility of the commodity sector. Eliminating limits on index funds will allow these investment vehicles to overwhelm the volume traded daily in these markets. NCC will address this issue further in another letter to CFTC.

The combined impact of increasing limits for the speculator and exempting the index funds from speculative limits would cause increased price volatility from which only the exchanges themselves will benefit. The ability of end-users to reduce the earnings volatility in their business will be further impaired.

In sum, the proposal to increase speculative limits requested by the CFTC is not beneficial to the end user community. NCC does not support this proposal.

Again, NCC appreciates the opportunity to share comments that should be helpful to your deliberations on this issue. If you have further comments, please feel free to contact me.

Respectfully submitted,

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