David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
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COMMENT

March 21, 2011

Dear Mr. Stawick,

I am writing to voice my support for immediate adoption of the proposed rule on speculative position limits for commodities (RIN 3038–AD15 and 3038–AD16 Position Limits for Derivatives). As a franchisee of a national quick service restaurant chain, my small business relies on well-functioning, efficient futures markets to manage the price risk for the physical products that we use. We manage price risk on physical products through our purchasing cooperative and their suppliers in order to limit input cost volatility. Up until the last few years, agricultural commodity futures markets provided an effective means to provide predictable costing.

Over the past few years, however, the explosive growth in passive, long-only speculative positions has interfered with the ability of commercial users such as ourselves to effectively hedge risk. The positions held by these funds have strongly increased the demand for financial derivatives, which is disconnected from the actual supply and demand for physical products. There is no better example of this fact than the lack of convergence between physical product prices and futures prices for wheat traded in Chicago and Kansas City. The excessive speculation fails to provide efficient and transparent markets that provide for hedging effectiveness. In Title VII of the Wall Street Reform Act and Consumer Protection Act of 2010, Congress acknowledged the potential harm of excessive speculation by requiring that the Commission impose speculation limits on currently unregulated markets. I urge you to implement the intent of Congress.

The extraordinary volatility in many commodity futures markets continues as prices for several commodities are at or near historically high levels. This is the second sharp price spike in a mere three years for many of these commodities. Dozens of studies by industry experts, economists, academics, and Congressional committees have warned of the harmful effects of excessive speculation. These studies reinforce the need for meaningful position limits in the commodity markets and therefore adoption of this rule. I urge that the commission strengthen the proposed rule and in light of the growing commodities bubbles that threaten our economic recovery and security.

As the Commission considers its final rule, it should ensure that the rule addresses these specific points:

1. Ensure that definition of bona fide hedges, as applied to both individual and aggregate position limits, properly includes commercial end-users who use physical goods and excludes speculative index funds or other speculators that allegedly manage "portfolio" risk or "financial" risk. Under no circumstance shall index funds qualify for the bona fide hedge exemption by hedging "general inflation risk."

2. Ensure that position limits, either individual or aggregate, be set at levels that are effective in limiting speculative influences. In particular, stringent limits must be placed on long-only index fund positions.
3. Ensure that any increased margin requirements are strictly limited to non-commercial users and not applied to farmers, manufacturers and end users of physical goods.
4. Ensure that all swap dealers fully disclose the category of their customer (end user, farmer, traditional speculator, index fund) and ensure that multiple entities cannot be used by speculative long-only index funds to circumvent speculative limits.

The position limits rule will play a crucial role in reestablishing the true purpose of the futures markets and help return stability and confidence to these markets. Again, I urge adoption of this rule in an expedited manner as was the intent of the statutory deadlines outlined in the Wall Street Reform and Consumer Protection Act of 2010.

I thank you for your consideration,

Sincerely,