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SECRETARIAT

Chairman Gary Gensler
Commissioner Michael Dunn
Commissioner Jill Sommers
Commissioner Bart Chilton
Commissioner Scott O'Malia

Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: The implementation and imposition of meaningful speculative position limits as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L.111-203)

Dear Chairman Gensler and Commissioners Dunn, Sommers, Chilton and O'Malia:

We write you today as businesses concerned about the effectiveness of the approach being taken by the Commodity Futures Trading Commission ("the Commission") to implement speculative position limits as mandated under Section 737 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act").

In the last ten years, we have witnessed unprecedented volatility and price swings in commodities that at times have been unrelated to any shift in real-world supply and demand fundamentals. We believe this is due in large part to more than a decade of deregulation in the commodities markets that have allowed speculators access to these markets without responsible prohibitions and limitations, such as position limits.

The resulting price volatility has deeply affected businesses like ours that seek to mitigate commodity price risks in order to remain viable and competitive and to meet consumer needs. Continued instability in the commodities markets has dramatically eroded consumer confidence and jeopardizes our nation's overall economic recovery.

In the last six years, the Congress and other governmental institutions have conducted countless investigations into the role of excessive speculation in the commodity markets. Scores of academics, economists and other experts have also examined the issue. The overwhelming conclusion is that these markets have been subject to an unprecedented surge in speculative activity by traditional speculators such as banks, hedge funds and sovereign funds and by a new breed of "passive" investor, the commodity index funds. Wherein these markets were created to serve *bona fide* hedgers looking to protect themselves from volatility, they are now overwhelmingly dominated by financial speculators who profit from it at our expense.

Last year, the Congress acknowledged the need for a return to markets that are responsive to the needs of *bona fide* hedgers and end-users of commodities. It found position limits an economic necessity in order to (from Section 4a of the Commodity Exchange Act, as amended):

- Diminish, eliminate or prevent excessive speculation;
- Deter and prevent market manipulation, squeezes, and corners;
- Ensure sufficient market liquidity for *bona fide* hedgers; and
- To ensure that the price discovery function of the underlying market is not disrupted.

The Dodd-Frank Act was signed into law on July 21, 2010 and the Commission began immediately to fulfill its obligation to implement, impose and enforce new regulatory initiatives under this new law. In most respects, the Commission has endeavored to do so in an open, transparent and thoughtful manner, and for that it should be commended. Commissioners have acknowledged that position limits can be an effective tool in preventing manipulation and unwarranted price swings while ensuring adequate market liquidity for businesses that rely on commodity derivatives for risk management and price discovery.

However, the position limits proposal currently under consideration will not fulfill the Congressional intent and is insufficient to truly restrain the harmful effects of excessive speculation. It should be rejected. While individual trader limits may be effective in preventing market manipulation, the Commission must establish a meaningful limit on all speculation as a class of trader.

Thank you for your consideration. We will continue to watch your deliberations closely. If you have any questions regarding this letter, please contact Paul Cicio 202-223-1661.

Signed,

PAT O'DEA CEO + PRESIDENT PEET'S COFFEE + TEA

Cc: David Stawick, Secretary, CFTC
Dan Berkovitz, General Counsel, CFTC
Members of the United States Senate
Members of the United States House of Representatives