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February 10, 2014

By Commission Website

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

Re: RIN number 3038–AD99: 17 CFR Parts 1, 15, 17, et al., Position Limits for Derivatives; Proposed Rule, Federal Register/ Vol. 78, No. 239 / December 12, 2013

Dear Ms. Jurgens:

This letter is in response to the Federal Register notice of December 12, 2013 regarding the Proposed Rule for Position Limits for Derivatives.

The U.S. dairy industry has worked hard to develop the risk management capability for farmers, processors, and end-users. The dairy industry is supportive of position limits for proper functioning and oversight of markets, but we are concerned with unintended consequences from the proposed rule on the dairy markets.

We support the comments submitted by the Innovation Center for U.S. Dairy. Our comments and recommendations are summarized as follows:

- We support using the alternative approach of establishing spot month limits for class III milk at 25% of deliverable supply and support updating the spot month limits every two years.
- Do not apply the 10/2.5 formula for establishing non-spot month limits.
- To resolve the inconsistency in a higher spot month limit (5300) than the non-spot month limit (3400), we propose applying the spot month limit to each individual non-spot month.
- The all months combined limit should be defined as the non-spot month limit multiplied by the number of total contract months.
- The initial position limits proposal of 1500 spot month contracts and 3400 all months combined is too low and will restrict market growth. In the absence of the 25% of deliverable supply methodology, class III milk position limits should be at least two times greater than currently exist to account for swap transactions.

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- For the definition of bona fide hedging and reporting requirements, we request the Commission consider any additional reporting requirements that are in conflict with other regulatory requirements, and ensure they are aligned with existing reporting requirements.

The dairy industry has put significant effort behind developing risk management tools such as futures and options contracts at the CME. We are concerned about the potential to limit the activity of liquidity providers in dairy markets when efforts are being made to increase it. Impeding growth in those markets will result in the continued inability for our industry to use those tools. Our interest is in developing robust risk management tools for the dairy industry to manage the price volatility from an increasingly global dairy market.

We thank you for considering our comments and recommendations.

Sincerely,

Ted Jacoby III
Vice President
T.C. Jacoby & Company, Inc.