

February 10, 2014

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

RE: RIN Number 3038-AD99: Position Limits for Derivatives

Dear Ms. Jurgens:

The Louis Dreyfus Commodities group of companies (“LDC”) was founded in 1851 and operates in all areas of the agricultural commodity supply chain including origination and production, processing, storage, transportation, merchandising and distribution. LDC’s business is highly diversified and involves the major agricultural commodities, such as grains, oilseeds, rice, cotton, sugar, juice, coffee and dairy products, as well as biofuels and metals. We transport approximately 70 million metric tons of commodities around the world annually, helping feed and clothe up to 500 million people.

LDC is a major user of derivatives markets on the following US designated contract markets (each, a “DCM”): the Chicago Board of Trade; Chicago Mercantile Exchange; ICE Futures US; Kansas City Board of Trade; Minneapolis Grain Exchange; Commodity Exchange, Inc.; and the New York Mercantile Exchange. LDC utilizes the DCMs to manage price risk arising from its highly diversified activities in the physical commodity markets. We believe our presence in the physical markets, which ranges across products and across the entire global commodity supply chain, allows us to understand the effect the Proposed Rule will have on all participants in the supply chain, including producers, merchandisers, processors and end users.

LDC generally supports the imposition of position limits so long as the limits do not negatively affect the effectiveness of the respective derivative market in carrying out the vital functions of price discovery and risk management. We strongly believe that the current federal position limit regime under CFTC Regulation 150 has worked well and has allowed the US exchange-traded markets to operate efficiently and allowed users of such markets to manage business risks.

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LDC appreciates the complexity involved in striking the right balance with this Proposed Rule and the efforts of the Commission to do so. Respectfully, we believe there is still work to do to achieve the appropriate balance that will allow commercial users of the derivatives markets like LDC to successfully manage risks to our businesses. The federal position limits regime set out in the Proposed Rule has the potential to detract from the historic versatility of derivatives markets in serving the commercial needs of LDC and other participants. This letter is intended to offer suggestions on the areas on which we believe the Commission should focus as it moves toward a final rule.

LDC is a member of many trade associations and DCMs. We support the comprehensive comments being submitted by the American Cotton Shippers Association, Commodity Markets Council, Futures Industry Association, National Grain and Feed Association, CME Group Inc., Intercontinental Exchange, Inc. and The Minneapolis Grain Exchange, Inc. However, we feel strongly about several key provisions that particularly affect our specific commercial activities and our ability to manage the risks of our business and focus our comments on those provisions in order to emphasize and supplement the comments in the above letters.

Anticipatory Hedging

A major issue for LDC's business in the current Proposed Rule is the elimination of anticipatory hedging for merchandising from the original Proposed Rule. We support what we believe is the clear Congressional intent embodied in the plain language of the Dodd-Frank Act that allows for the hedging of "assets that a person owns, produces, manufactures, processes or **merchandises** or anticipates owning, producing, manufacturing, processing or **merchandising**" (emphasis added). We see no policy justification for the Commission to distinguish between merchants and processors for purposes of what constitutes an anticipatory hedge. The Proposed Rule will harm producers and end-users as well by restricting the ability of merchandisers of physical commodities like LDC to provide a competitive market to producers and an efficient source of supply to end-users. In addition, we request the Commission provide additional information as to how anticipatory hedging will work in practice.

Bona Fide Hedging/Economically Appropriate Risk Management Activities

The Proposed Rule requires a *bona fide* hedge to be "economically appropriate to the reduction of risk in the conduct and management of a commercial enterprise." We believe that the Commission should clarify that (i) such requirement must be one that a commercial firm deems to be risk reducing, and (ii) the risk reduced must arise in the commercial activities of the firm.

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LDC is also concerned that the Commission, through the economically appropriate test, has imposed a new test for identifying a bona fide hedge. The preamble language in the Proposed Rule suggests that a bona fide hedge only exists when the net price risk in some defined set is reduced. We believe the most appropriate way to deem a derivatives transaction as “economically appropriate” is whether a commercial firm has a risk abated by the transaction, and such risk arose in its commercial business.

The final federal position limits rule should explicitly allow for bona fide hedging position to be entered into in connection with a portfolio hedging strategy. Like many large commercial firms, LDC relies on portfolio hedging to manage legitimate business risks due to the large number and volume of commercial transactions hedged. We believe the use of centralized hedging desks is a prudent commercial practice and often times the best and most efficient way to manage the risk in our commercial activities.

Cross Commodity Hedging

Commercial hedgers need flexibility to determine if a hedge in a different commodity serves the hedger’s needs without being forced to meet an arbitrary test as would be required under the Proposed Rule. For instance, cross commodity hedging is particularly important when one commodity is used as a substitute for another one or for commodities that do not have a corresponding liquid futures contract or which may be processed or transformed into products which may not be traded commodities. The test under the Proposed Rule for correlation limits and potentially eliminates cross commodity hedging for some commodities. We believe the Commission should consider revising this provision to allow for cross commodity hedging.

Hedge Exemptions

LDC believes the process for requesting a hedge exemption that is not enumerated in the proposed rule should be reconsidered. Within a relatively short time, the Commission should be able to receive and evaluate the information from a firm seeking a hedge exemption and then make a final decision as to its legitimacy. For the Commission to do otherwise is to effectively limit hedge exemptions to only those enumerated in the proposed rule, and we believe this to be unnecessarily limiting. Historically, the Commission has allowed staff to make determinations regarding these specific hedge exemptions, and we believe this process has worked efficiently. We urge the Commission to maintain this practice.

We appreciate the agency’s efforts on this complicated issue, and we hope our comments are constructive to the process of finalizing this rule. LDC believes modifying the Proposed Rule in the above-mentioned areas, as well as consideration of the other issues raised in the comments by the trade groups cited above, will ultimately lead to a policy that will achieve the

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Commission's regulatory goal without impeding legitimate commercial activity in the marketplace. Thank you for your consideration.

Sincerely,



Jan-Mikael Morn
President & Chief Executive Officer