DARIGOLD
SINCE 1918

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

Darigold Inc. is a marketing and processing subsidiary of Northwest Dairy Association, which is a farmer-owned dairy cooperative. With over $2 billion in annual sales, Darigold ships milk from over 500 farms across six US states. We produce a full line of dairy products, operate 12 dairy processing plants throughout the Northwest United States, and are an active participant in the global dairy markets. We use risk management tools to actively manage our commercial risk in an increasingly risky global market.

Darigold is supportive of position limits for proper functioning and oversight of markets, but we are concerned with unintended consequences that may arise from the proposed rule regarding the dairy commodity markets.

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

- In order to facilitate future growth of the dairy markets, position limits for Class III milk should not be less than 3,000 contracts per month (spot or non-spot).

- 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: This method would establish the spot month contract limit for Class III milk at 5,300 contracts.
- Do not apply the 10/2.5 formula for establishing non-spot month limits.
- To resolve the inconsistency in a higher spot month limit (e.g. 5,300) than the non-spot month limit (3400), we propose applying the recommended spot month limit to each individual non-spot month.
- Given the cash-settled nature of Class III milk contracts, and the very limited risk that physical supply can be manipulated through Class III contracts, there should be no all months combined limit. If the Commission insists upon a limit, then the all months combined limit should be defined as the non-spot month limit multiplied by the number of total contract months.
- 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,

John E. Wells
SVP Finance & CFO