

February 10, 2014

By Electronic Submission to Commission Official Comment Filing Site

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 filed on behalf of DairyAmerica, Inc. and responds to the Federal Register notice of December 12, 2013 regarding the Proposed Rule for Position Limits for Derivatives. DairyAmerica is a Capper-Volstead cooperative that markets primarily nonfat dry milk (“NFDM”) among other products collectively referred to as Class IV Products under Federal Milk Marketing Orders. DairyAmerica is in turn presently owned by four farmer owned cooperatives – Agri-Mark, Inc., California Dairies, Inc., O-AT-KA, and United Dairymen of Arizona – all of whom market their NFDM through DairyAmerica. As a result DairyAmerica is a significant marketer of NFDM both in the United States and abroad.

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 generally support the comments submitted by other significant dairy industry members and associations, but write to add our own views especially with respect to NFDM/Class IV position limits since most other comments focus, naturally, on Class III. Our particular concern is with NFDM, the sale of which on the Chicago Mercantile Exchange (“the Exchange”) is still nascent both in the cash and futures market. We are especially concerned that the Commission’s proposal is too restrictive and would, if adopted, prevent the Exchange’s cash and futures markets for NFDM/Class IV from gaining necessary traction and acceptance. This problem is critical as DairyAmerica and others in the dairy industry seek new transparent pricing

mechanisms for a product that is rapidly gaining international attention. Thus, it is critical that restrictive position limits be eased and in particular that the Commission treat NFD/Class IV similarly to Class III.

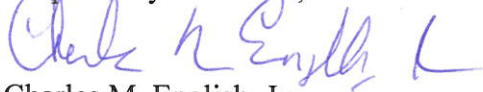
Thus DairyAmerica urges the Commission to:

- Use the alternative approach of establishing spot month limits for class IV milk at 25% of deliverable supply using USDA's well-established and industry accepted calculated deliverable supply numbers and then monitor and update the spot month limits as appropriate.
- Not apply the 10/2.5 formula for establishing non-spot month limits.
- To resolve the inconsistency between a higher spot month limit (5300) and the non-spot month limit (3400) by applying the spot month limit to each individual non-spot month.
- Define the all months combined limit as the non-spot month limit multiplied by the number of total contract months.
- Increase the initial position limits in the Commission's proposal of 1500 spot month contracts and 3400 all months combined because the proposed limits are too low and will likely 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.
- Adopt consistent position limits for different dairy products, taking into consideration the need for NFD/Class IV market growth.

The dairy industry has put significant effort behind developing risk management tools such as futures and options contracts at the CME. DairyAmerica is 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.

Respectfully submitted,



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