Mr. Christopher Kirkpatrick,

Secretary of the Commission,

Commodity Futures Trading Commission,

Three Lafayette Centre, 1155 21st Street NW

Washington, DC 20581

Re: Comments in Regards to Position Limits for Derivatives

**Federal Register Release: 79 FR 71973**

Dear Mr. Kirkpatrick,

CGB Enterprises, Inc. is comprised of a diverse group of agricultural businesses. Consolidated Grain and Barge Co., a subsidiary of CGB Enterprises, is a large Midwestern company with a large grain facility and storage asset group. CGB is deeply involved in grain origination, trading, storage, exporting and transportation. We are involved directly with farmers on many levels to not only buy and store their grain, but to assist them in managing their risks via prudent risk management strategies using futures and options extensively. Much business relies heavily on the use of futures and options for managing risk in the process of running our businesses. Without these tools, and the manner in which we use them today, we would not be able to effectively manage our business to the degree we do today as cost effectively.

We have major concerns with the referenced proposed changes to the CFTC rules regarding bona fide hedging, particularly to the proposed changes to the definition of bona fide hedging and the proposed CFTC oversight and regulation of bonba fide hedging. The past approach has worked well, for years, in allowing our company and the companies in our industry to effectively and responsibly manage risk. By using the methods that have been time tested by the entire grain industry we can continue to offer attractive and competitive prices to farmers. The proposed rules changes create significant risk to the way we have consistently managed, and continue to manage, our business and our ensuing returns.

Here are some of the significant issues we urge you to consider:

1. Hedging risk in the grain industry is very complicated and requires many years of experience in many facets of the grain business to make knowledgeable and responsible cost effective decisions.  An understanding of how these proposed rule changes will affect our industry cannot effectively be done without having a full working understanding and knowledge of how commercial grain companies currently have to handle such daily risk in a competitive world market environment.
2. The ultimate effect of the proposed rule changes will result in higher costs to the producer and consumer.
3. The high efficiency of the grain futures markets has been the blue print for all futures exchanges worldwide. Companies, such as ours, that have participated in hedging their risk in the grain industry are the most sophisticated in the world toward insuring a highly efficient competitive environment for the American consumer and producer for their products.
4. Convergence of cash price and futures is critical to a hedger’s philosophy and insures true, fair and realistic market value of the commodity for the consumer.
5. Grain companies could be forced into finding alternative hedging, (OTC or foreign markets) if they are not able to effectively hedge in U.S. markets.
6. Smaller firms could be harmed more by these restrictions. Larger firms may be able to lay off risk in processing and/or foreign sales that are not an option for smaller independent elevators.
7. We have rules in place now, which work well because they are reported, recorded and policed, for position taking that has to be justified by cash ownership.

The use of futures allows us to hedge (lock in) storage income on our hard assets, or anticipate actions of the market to be prepared to buy grain products from our farmer customers at competitive market prices. These are hedging activities, which by definition in the CFTC proposed rule changes, could be challenged or removed from our tools to use in managing our business risk. Here are 2 examples:

1. Anticipatory hedging to manage risk in market carry is used whereby we buy nearby futures, sell deferred futures at a higher value to place hedges in a later shipment window where we anticipate selling the grain purchased at harvest. By securing this carry, we have confidence to purchase grain from farmers at competitive market prices at the time of delivery. Just as importantly we know we have an income stream hedged for our business which allows our company to lock in a reasonable profit against our storage assets. Storage assets are very expensive and as such the industry and CGB require a method to earn a suitable return on the cost of the assets. Without the ability to lock in carries at reasonable levels we would not be able to assure a return on those assets. Certainly the result will be an attempt to extract more margin from the customer (i.e. farmer) to replace the uncertainty of returns.
2. Another basic transaction that happens at the end of every day and nearly the end of every week is the pre-hedging of our estimated purchases on the close of the market trade day or the Friday before the weekend. As you know, the weekend does not offer open markets to hedge purchases in. During harvest, we are open weekends when farmers are harvesting. We use historical analysis of our business as well as an experienced look at the market at hand to estimate our weekend purchases and place a short hedge equaling what we anticipate to buy throughout the weekend delivery period. We are paying the farmer based on the Friday futures close for deliveries over the weekend, without this ability to pre-hedge, we would have to lower our price paid to the farmer to offset the risk of what futures could do on the market open after the weekend, or close our doors all together.

We appreciate the current regulatory environment and well managed marketplace offered by the CME grain futures markets, as well as the security in working within the current system. There are multiple uses of the futures for bona fide hedging purposes for many different commodities grown and traded in the USA.

Please consider these comments and the reasons behind our concerns and we respectfully urge a revision to the proposed language to maintain a broader definition of what a bona fide hedger is and what activities they may do. If there is anything further we can do to help explain our thoughts and concerns, please let us know.

Thank you for your time in consideration in reviewing these comments,

Greg Beck

Vice President Grain Division

CGB Enterprises