January, 20, 2015

Mr. Christopher Kirkpatrick, Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, D.C. 20581

Re: 17 CFR Parts 1, 15, 17, 19, 32, 37, 38, 140, and 150 Position Limits for Derivatives and Aggregation of Positions

Dear Mr. Kirkpatrick:

Archer Daniels Midland Company (ADM) appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (CFTC) on the Proposed Rule for Position Limits for Derivatives (Proposed Rule).[1] I participated at the end-user roundtable in June 2014, representing ADM and as a board member of the Commodity Markets Council. We applaud the CFTC for holding this event, and reaching out to the end-user community in your efforts to construct the best regulatory regime for all stakeholders impacted by Dodd-Frank.

For more than a century, the people of Archer Daniels Midland Company have transformed crops into products that serve the vital needs of a growing world. In the United States, nearly 16,000 ADM employees convert oilseeds, corn, wheat and cocoa into products for food, animal feed, chemical and energy uses. With more than 400 facilities in 40 U.S. states and the world's premier crop transportation network, ADM helps connect the harvest to the home.

ADM is an extensive user of exchange traded commodity futures for hedging. The efficiency and effectiveness of commodity derivative markets is critical to ADM's efforts to manage and reduce the commodity risks inherent in the activities of the corporation. The physical commodity markets and the derivative products associated with them have a long and successful history of providing for robust risk management and price discovery.

We want to take this opportunity to highlight areas of particular concern that have potentially serious implications in the operation of our enterprise. ADM remains broadly supportive of comments submitted (in this extended period, and the previous comment period) by two associations of which ADM is a member: the Commodity Markets Council (CMC) and the National Grain and Feed Association (NGFA). We are appreciative that the CFTC is taking additional time and effort on this critical rule.

[1] See Position Limits for Derivatives, 78 Fed Reg 75680 (December 12, 2013).

1. Bona Fide Hedging

ADM is a non-financial, commercial enterprise. At the core of our business activity are the physical commodities and resultant products that we buy, sell, transform and transport around the globe. We echo the concerns of many in the commodity industries regarding the bona fide hedging protocols in the Proposed Rule. It is critical to ADM, our suppliers and our customers to have a clear, consistent and dependable means of reducing the commodity risks to which we are exposed in the operation of our enterprise. The risk-reducing structures that we have effectively used to offer the most competitive prices to our producer suppliers and our customers appear to have significant regulatory uncertainty under the Proposed Rule.

The current definition of bona fide hedging and the CFTC's interpretation of that definition have worked well for many years. ADM Investor Services (ADMIS), a registered FCM and wholly-owned subsidiary, serves a broad spectrum of clients that manage the risks in their business using ADMIS's futures execution services. ADMIS's customers, farmers, ranchers, and manufacturers in the food and fuel supply chain depend on hedging to operate their businesses by controlling price risk exposure. Changes in the definition or interpretation of a bona fide hedge could have significant impacts on bona fide hedgers in a wide variety of commercial enterprises. Long-standing business practices and capital investment decisions have been made under current bona fide hedging rules. ADM urges the CFTC not to constrict what has been the industry's and the CFTC's historical understanding of what constitutes bona fide hedging.

Risk is synonymous with uncertainty and unpredictability. If risk were able to be truly "defined," it would no longer be risk. The commodity risk mitigation process is dynamic and multifaceted. A firm's efforts to mitigate the economic impacts of commodity price risk on the enterprise requires a multidimensional assessment and understanding. Price, as a point of value, is the market's attempt to incorporate an almost endless list of factors into a single expression. The price of a commodity not only represents the market's collective yet often competing view of factors specific to that commodity, but also the value of that commodity in relationship to the prices of other commodities.

ADM, like most in the physical commodity space, has significant risk to evaluate and mitigate on our current physical commodity ownership. We also have significant risk to evaluate on the commodities that we have not acquired yet, but which we know we must purchase to meet obligations for processed products. We have substantial capital invested in assets whose return to our shareholders is dependent upon our activities of purchasing, selling, transporting and transforming commodities, activities that have an inherent price risk component. The level of risk to the firm from these combined activities and obligations is not static. It is a continual and dynamic effort to aggregate, asses, and mitigate the commodity price risk to the enterprise.

ADM's hedging activity continues to be critical to our success. It is critical to our ability to interact efficiently and price competitively with our suppliers and our customers. A narrow and overly prescriptive definition of bona fide hedging will impede our ability to mitigate the price risks we assume in the myriad daily activities we undertake. We will not be able to operate as efficiently or responsively for our suppliers and customers without a bona fide hedging definition that allows for a comprehensive view of risk mitigation in the business.

2. Position Limits / Deliverable Supply / Effective Market Convergence

These concepts, along with the bona fide hedge definition, are complex and interrelated. Deliverable supply affecting position limits, which is impacted by the bona fide hedge definitions, and all which contribute to or potentially impede the ability of the market to function properly.

We encourage the CFTC to allow sufficient time to analyse and understand the impact of these regulations. A thorough and thoughtful assessment of deliverable supply necessitates an objective analysis of the physical market for each commodity. A single protocol to establish deliverable supply that does not consider the individual characteristics of each physical market will create conditions that prevent the market from functioning effectively.

ADM previously assisted the CFTC in developing contract terms to help ensure convergence in the market. The CFTC should ensure that a final rule does not compromise predictable convergence in the market, or risk threatening the utility of contracts for risk management purposes.

The CFTC should also avoid any major redesign, but rather simply build upon the existing successful system. Implementing regulatory changes without careful examination of the impacts and balancing the needs of all interested parties will damage liquidity, price discovery and risk management. The regulated exchanges, in coordination with the CFTC, have developed an expertise in maintaining orderly markets with the flexibility necessary to prevent market-disrupting speculation while preserving transparent and liquid markets.

ADM encourages the CFTC to strongly consider that the commodity markets and their regulatory regime have a proven track record of effectiveness. There are significant economic risks to the public good in terms of increased costs without a compensating benefit if we degrade commercial users' ability to manage risk. The evidence appears to be insufficient to support the imposition of significant adjustments in the current regulation of commodity derivatives.

3. Aggregation

The aggregation of entities' positions for position limits purposes should be focused on control. It is reasonable that an entity only be responsible for activity that is under its control. The presence of an ownership interest in an entity may not imply there is control or influence in the hedging and trading strategies of that entity. Control of decision-making in the trading activity of an entity should be the determining factor for aggregation of positions. An entity with independent trading authority should retain its position limit responsibility.

4. Conclusion

ADM appreciates the CFTC's effort in drafting the Proposed Rule, and the important oversight role that it plays in providing for competitive and transparent commodity markets. Given ADM's extensive hedge risk management experience, we would welcome the opportunity for further discussion before the publication of a final rule to discuss the potential commercial impacts of the proposal.

We urge the CFTC to maintain the long-standing ability of commercial end-users to utilize commodity markets to manage risk, and appreciate the CFTC's consideration of our comments on this important subject.

Sincerely,

Matt Jansen
Senior Vice President and President, Oilseeds Processing
Chief Risk Officer
Archer Daniels Midland Company