



# National Milk Producers Federation

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July 13, 2016

Mr. Christopher Kirkpatrick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

RIN: 3038-AD99

Dear Mr. Kirkpatrick:

The National Milk Producers Federation, based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 32,000 dairy producers on Capitol Hill and with government agencies.

NMPF respectfully submits the following comments in response to the Commission's supplemental notice of proposed rulemaking on Position Limits for Derivatives: Certain Exemptions and Guidance, as part of its unified agenda on Position Limits for Commodity Derivatives Contracts.

As articulated in NMPF's February 10, 2014 comments on the Commission's December 12, 2013 Proposed Rule on Position Limits for Derivatives, <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59652&SearchText=bennett>, the use of modern risk management mechanisms, including futures, options, swaps and other over-the-counter commodity derivative contracts is still relatively new for the U.S. dairy industry, having grown in response to the deregulation of prices over the past four decades and the increasing exposure of the industry to international markets over the past two. Open interest volumes are still relatively small for Class III and other dairy commodity contracts in current use, which are all cash-settled against survey-based prices announced monthly by the U.S. Department of Agriculture's Agricultural Marketing Service. The structure of these dairy risk management tools and their important role in enabling critical risk management strategies that benefit dairy farmers, their marketing cooperatives, and processors and manufacturers of dairy products not only provides a very small scope for excessive speculative activities but also requires a regulatory environment that is firmly consistent with, and facilitative of, continued expanded use of these tools.

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**James Mulhern, President & CEO | Randy Mooney,**

Agri-Mark, Inc.  
Associated Milk Producers Inc.  
Bongards' Creameries  
Cooperative Milk Producers Association  
Cortland Bulk Milk Producers Cooperative  
Dairy Farmers of America, Inc.  
Dairymen's Marketing Cooperative, Inc.  
Ellsworth Cooperative Creamery  
Farmers Cooperative Creamery  
FarmFirst Dairy Cooperative  
First District Assoc.  
Foremost Farms USA  
Land O'Lakes, Inc.  
Lone Star Milk Producers  
Maryland & Virginia Milk Producers Cooperative Association  
Michigan Milk Producers Association  
Mid-West Dairymen's Company  
Mount Joy Farmers Cooperative Association  
Northwest Dairy Assoc.  
Oneida-Madison Milk Producers Cooperative Association  
Prairie Farms Dairy, Inc.  
Premier Milk Inc.  
Scioto County Cooperative Milk Producers' Association  
Select Milk Producers, Inc.  
Southeast Milk, Inc.

NMPF therefore appreciates the Commission's expansion of transactions that meet the proposed new definition of bona fide hedges and its proposal to allow the exchanges more latitude in managing Federal hedge exemptions, in connection with its proposed new alternative processes for designated contract markets and swap execution facilities.

It is important to NMPF, its member cooperatives and their dairy farmer members, that your regulations as they pertain to Class III derivatives recognize the unique nature of our industry, its pricing and regulatory structures and the cash-settled futures, options and over-the-counter derivatives that have developed. We ask that the Commission continue to recognize in the definition of bona fide hedges the existing every day hedging transactions as have been allowed by the CME Group – for the transactions industry participants utilize both to hedge the commercial risk associated with their plant operations as well as to hedge the commercial risk they take on with their forward contracting programs. Should there arise transactions that require review under the non-enumerated hedge process, we ask that the reporting requirements be simple, infrequent and minimally burdensome.

In the development of these comments, NMPF has consulted with our member, Dairy Farmers of America, and with the National Council of Farmer Cooperatives, and has reviewed their associated comment letters. NMPF supports the positions DFA and NCFC take in those comment letters.

The National Milk Producers Federation appreciates this opportunity to make its views known to the Commission on these important issues.

Sincerely,



James Mulhern, President and CEO  
National Milk Producers Federation