Risk Management

February 28, 2017

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Re-proposal, Position Limits for Derivatives. Federal Register/Vol. 81, No. 251/December 30, 2016 (RIN 3038-AD99).

Dear Mr. Kirkpatrick:

Dairy Farmers of America files these comments in response to your re-proposed rule on position limits for derivatives and other matters (RIN 3038-AD99).

We are appreciative and in support of your decision to exclude Class III derivatives from Federal position limits. As we have stated in prior comments, the emerging dairy derivative markets could be harmed by a one-size fits all approach to Federal position limit regulation – potentially reducing liquidity and limiting the ability of bonafide hedgers to execute transactions to limit their commercial risk. Some of the unique aspects of the Class III futures and option markets, such as:

- cash settlement to Federal government-managed pricing formulas,
- monthly contracts extending out 24 successive months, and,
- the general perishability of liquid Class III milk,

suggest a different regulatory structure than the other core-referenced physically-delivered futures contracts. We also believe that the Class III OTC market is nominal in size and, combined with the unique aspects of Class III, not an area of regulatory concern requiring Federal position limits.

As in our prior comments, we encourage a collaborative working environment between the CFTC and the exchanges to produce a better result in protecting the integrity of the derivative markets and limiting the regulatory burden on commercial end users. We are appreciative of your acknowledgement of this approach in you decision. We also believe that the Chicago Mercantile Exchange Group (CME Group) has managed the position limit issues for their dairy contracts in a

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manner that allows the markets to emerge and grow, supports risk management use for bonafide hedges of end users and provides appropriate oversight and safeguards to protect the integrity of these contracts. We strongly support your decision to leave the dairy futures and options regulatory approach in the hands of the CME Group.

We will continue to monitor issues relative to the position limits rule as it may pertain to potential future regulation of Class III and other dairy derivatives. Additionally, we will monitor the regulatory approach impacting the legitimacy of bonafide hedges and issues that could affect end users such as ourselves. As such, we join in and continue to support the comments filed by the National Council of Farmer Cooperatives and the National Milk Producers Federation.

DFA will continue to monitor dairy derivative markets and discuss regulatory issues with the CFTC and the CME Group. We thank you for your oversight and understanding of the issues impacting the dairy derivative markets and appreciate your willingness to alter your regulatory approach to our markets.

DFA is America's leading dairy cooperative owned by more than 13,000 dairy-farmer members from Maine to California. We are a diversified milk marketer, dairy food and ingredient manufacturer and farm services provider.

Sincerely,

Edward W. Gallagher

Edward W. Gallagher
President, DFA Risk Management
a division of Dairy Farmers of America

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