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February 28, 2017

Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW.
Washington, DC 20581

Re: RIN number 3038–AD99

This letter contains comments by the National Milk Producers Federation in response to the *Federal Register* notice of December 30, 2016 which re-proposed Rules for Position Limits for Derivatives. 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 throughout the United States. 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 supports the Commission's preliminary determination not to re-propose position limits on three cash-settled core referenced futures contracts, including CME Class III Milk, that are not linked to physical-delivery futures contracts and which are cash settled to a U.S. Department of Agriculture price series. The re-proposed rule cites concerns raised primarily by the dairy industry in earlier comments on the Proposed Rule, published in the *Federal Register* notice of December 12, 2013, as a motivation for this deferral.

NMPF reiterates these concerns, namely that, due to the nature of these contracts, imposition of position limits on CME Class III Milk, and other dairy futures contracts, would have a net negative impact on their value and effectiveness as risk management tools for dairy industry stakeholders. In its comments on the Proposed Rule, NMPF supplied ample empirical evidence to the effect that it is extremely difficult for any trader to distort the underlying dairy product price series that serve as the basis of cash settlement for Class III milk futures and options contracts, especially through the action of taking large open interest positions in the Class III milk contracts themselves. Balanced against the modest gains that position limits could achieve in this regard is their greater potential to decrease needed liquidity for these contracts and to make it more difficult for NMPF's member cooperatives to offer risk management programs for their dairy farmer members, under which the cooperatives take offsetting, non-speculative Class III milk futures positions on often sizeable collective volumes of member milk.

NMPF also notes that, to support its determination not to make any changes in the Reproposal that would broadly exempt cash-settled contracts from position limits, the Commission cited only arguments relating to cash-settled referenced contracts that are economically equivalent to physical delivery contracts that exist in the same commodity. There currently are no physical delivery contracts for any dairy product or commodity.

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

Sincerely,

Peter Vitaliano
Vice President, Economic Policy and Market Research