American Cotton Shippers Association
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April 5, 2018

The American Cotton Shippers Association ("ACSA") submits the following comments in lieu of direct participation in the Agricultural Advisory Committee (AAC). ACSA is comprised of Merchants, Primary Buyers and Mill Service Agents with members located throughout the cotton belt from coast to coast. ACSA's member firms handle over 80% of the U.S. cotton sold in domestic and foreign markets. The significant market involvement of ACSA members requires that the Association take an active part in promoting the increased use of cotton in the U.S. and throughout the world; establishing with other cotton trade organizations national and international standards for trade; collaborating with producer organizations throughout the cotton belt in formulating farm programs; and cooperating with government agencies in the administration of such programs.

Derivatives have always been extremely important to our members, who are end-users utilizing such tools for legitimate commercial risk management purposes. The debate about appropriate position limits in the various derivative markets began with the run up in crude oil prices in 2007 and has been a controversial topic since. The financial crisis that ensued only intensified the debate. The primary claim by those who want strict limits has been that financial market participants, such as banks and hedge funds have moved prices ultimately paid by consumers for end commodities thru their large trading volume. When crude oil was rising in 2007, the buzz phrase was "speculative premium". This led to Congress instructing the Commodity Futures Trading Commission ("CFTC" or "Commission") to impose position limits on a wider scope of contracts than existed in the current statute thru the Dodd-Frank Act in 2010.

The original CFTC proposal had much broader implications for the marketplace than we believe was envisioned by the Congress. Our belief at the time of passage was that while we could expect some behavioral changes in the operation of the derivative markets given the position limits provision, we would not see a direct impact to the trading of our members. Commercial end users did not cause the financial crisis and therefore do not believe our hedging activity in these markets should be restricted.

For the purposes of this statement, we would like to cite our positions on a few key issues we sent letters on during the initial comment period for this rulemaking since they remain our top issues regarding position limits. The issues previously covered are the definition of bona fide

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hedging and the commercial allowance of anticipatory hedging.[1] We believe these would be good topics for discussion by the AAC.

Sophisticated commercial hedging is as important today as ever, given volatility in the marketplace. Successful hedging ultimately benefits the general public by reducing the volatility of consumers of commodities such as cotton. We appreciate the Commission's consideration of our views on this critical issue.

Sincerely,

William E. May
President & CEO

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[1] The American Cotton Shippers Association, *Comment Letter Re: Position Limits for Derivatives*, RIN 3038-AD99 (Feb. 10, 2014).