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Mr. Christopher Kirkpatrick, Secretary
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1166 21st Street, NW
Washington, DC 20581

Re: Position Limits for Derivatives. RIN 3038-AD99

Dear Secretary Kirkpatrick:

By a Notice of Proposed Rulemaking published in the Federal Register on January 30, 2020,¹ the Commodity Futures Trading Commission (“CFTC” or the “Commission”) has proposed to institute a speculative position limits rule for certain “core referenced futures contracts” and futures, options, and swaps deemed to be economically equivalent to such contracts. Among the core referenced futures contracts are two sugar contracts, ICE Sugar No. 11 and ICE Sugar No. 16, which are commonly used for hedging by commercial participants in sugar markets.

Given the potential impact that the proposed position limits will have on the overall sugar market, ASR Group International, Inc. and its affiliates (“ASR Group”) submit the following comments on the proposed rules to the Commission. In general, ASR Group is pleased with the proposed rules. They represent a significant improvement over the prior position limits rules initially proposed in 2013 and finalized, but not enacted, in 2016.

Overview

ASR Group is a global cane sugar refiner with more than 100 years of experience in all aspects of the manufacturing and selling of sugarcane products. ASR Group’s operations include the farming, milling, refining, and merchandising of sugarcane products. ASR Group operates sugar refineries in five countries and owns and operates sugar mills in Mexico and Belize. ASR Group is primarily a sugar refiner, meaning that it purchases raw sugar from multiple origins, processes the raw sugar into a variety of cane sugar products, including refined sugar, and then markets and sells such products in a variety of markets. The ability to source raw sugar for its operations, and to hedge its raw sugar needs, is critical to the continuation of the business because of the small margins associated with the refining business. ASR Group produces raw and refined sugar within and outside the United States. ASR Group has the collective capacity to manufacture approximately six million tons of refined sugar annually.

As is common in the sugar industry, ASR Group traditionally hedges its sugar price risk using futures contracts and exchange traded options on futures contracts. To a much more limited degree, ASR Group engages in over the counter (“OTC”) swaps for hedging, and physical trade options for addressing variable quantity sales and supply requirements. ASR Group has historically obtained hedge exemptions from exchanges to the extent required for its business based on the clear hedging needs of its physical sugar business. The current futures products in the sugar industry have historically worked well as hedging and price discovery tools for the sugar

industry, which is a specialized agricultural industry that requires significant capital investment and long-term commitment to a specific agricultural commodity. ASR Group and similarly situated sugarcane producers have seen little need to use other tools, such as OTC swaps, because the current sugar futures market is suitable to the unique attributes of the sugar industry.

Bona Fide Hedges

The Commission has made four critical changes to the category of bona fide hedges that ASR Group supports fully which make this proposed rule more effective and easier to implement.

1. Bona fide hedge recognition is self-effectuating. This is critical and appreciated. This concept keeps the process simple for market participants such as ASR Group, as well as growers and customers who are using these tools to manage price risk that is inherent in the sugar industry. If regulatory questions arise, ASR Group does not believe that it would have any significant issues demonstrating the bona fide hedging relationships to the Commission's satisfaction on a one-off basis.
2. ASR Group appreciates the proposed additional bona fide hedges. These help to ensure that the strategies deployed by our company, as well as by growers and customers, are clearly represented as bona fide hedges. Of particular importance to ASR Group are the following categories that are used daily within our business:
 - Hedges of Inventory and Cash Commodity Fixed-Price Purchase Contracts
 - Hedges of Cash Commodity Fixed-Price Sales Contracts
 - Hedges of Unsold Anticipated Production
 - Hedges of Unfilled Anticipated Requirements
 - Hedges of Anticipated Services
 - Hedges Placed by Agents
 - Hedges of Anticipated Merchandising
3. ASR Group is appreciative of the ability to hedge on a gross basis. Entities under common control will often have units that have distinctly separate hedging strategies that are independently transacted. The approach applied by the Commission in the proposed rules is reasonable and appropriate.
4. ASR Group is very supportive of the elimination of the 12-month limitation on bona fide hedges of anticipated production. The Commission indicated that it preliminarily agrees there should be no 12-month limitation on bona fide anticipated hedging of agricultural commodities. The life-cycle of sugarcane extends beyond a 12-month period and we agree that the concept is not applicable to sugar cane growers, refiners or customers.

Speculative Spot Month Limits

ASR Group's assessment is that the proposed spot month speculative limits for the ICE US Sugar No. 11 and ICE US Sugar No. 16 markets are reasonable.

5. ASR Group is supportive of the approach selected by the Commission to mirror the exchange's application of the spot month rules from a timing perspective to the federal position limits, particularly for the ICE Sugar No. 11 and ICE Sugar No. 16 contracts as noted on pages 96 and 97 of the proposed rules.

Working through the Existing Exchange Framework

The framework for these proposed position limits incorporates the existing framework for monitoring already in place through the Exchanges.

6. ASR Group appreciates this approach as it is scalable and easy to implement. It allows the Commission to focus on exceptions of interest rather than daily activities.

Respectfully Submitted,



David M. Johnson
Vice President, Chief Risk Officer
ASR Group International, Inc.

¹ Position Limits for Derivatives, 17 CFR Parts 1, 15, 17, 19, 40, 140, 150 and 151 (January 30, 2020).