May 14, 2020

Via Electronic Submission

Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Position Limits for Derivatives (RIN 3038–AD99)

Dear Mr. Kirkpatrick:

Thank you for the opportunity to submit these comments in connection with the above-referenced notice of proposed Rulemaking establishing speculative position limits for agricultural and exempt commodities.[1] As background, Olam International Limited ("Olam") is a global agribusiness that engages in the production, processing and/or merchandising of a wide variety of agricultural commodities, including cocoa, coffee, cotton, grains and dairy products. Olam uses a several U.S. and non-U.S. exchange traded futures, options and over-the-counter derivatives to hedge its cash market exposure. This letter reiterates and reincorporates by reference the views expressed in our prior comment letters on this topic dated February 10, 2014, August 4, 2014, as well as the December 20, 2017 letter to the Director of Market Oversight (the "Prior Letters").

As active members of both the Futures Industry Association ("FIA") and the American Cotton Shippers Association ("ACSA"), Olam generally supports the positions raised in both the FIA and ACSA comment letters. However, we have a few additional comments on the following matters specifically with respect to U.S. Cotton No. 2 contract ("CT"), that further support ACSA's position but may differ from FIA's position below.

1. **Risk Management Exemptions**

   We support the Commission's revisions to the "Temporary Substitute Test" and the elimination of risk management exemptions for banks because outsized positions in physical commodity-focused indexes can have significant, adverse effects on futures

[1] See Position Limits for Derivatives, 85 Fed. Reg. 11596 (Feb. 27, 2020).

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market price dynamics.

2. **Enumerated Hedges**

Although we support and appreciate the Commission's efforts to expand the list of enumerated hedges, we are concerned that the Proposal would not provide the exchanges the authority to grant hedge exemptions through the enumerated process that will allow merchants to properly manage calendar spread price risk and supply price risk associated with unfixed-price sales contracts. We recognize that there are multiple ways the Commission could address these risks associated with unfixed-price sales contracts, and we support the three methods outlined in ACSA's letter: (1) Utilize Anticipatory Merchandising; (2) Modify the Definition for Hedges of Offsetting Unfixed-Price Cash Commodity Sales and Purchases; and (3) Create a New Enumerated Hedge Category

3. **Deliverable Supply**

We disagree with the Commission's acceptance of the deliverable supply estimates for the U.S. Cotton No. 2 ("CT") contract. Deliverable supply estimates should be considered in terms of a product's quality and its legitimate, logistical availability for delivery. The estimates included in the Proposal do not reflect the cotton industry's historical ability to deliver the physical commodity.

We believe that Intercontinental Exchange, Inc.'s ("ICE-US") current determination of the cotton market deliverable supply has only been realized with actual deliveries during one historical period. This occurred in December 2008 during the financial crisis. However, average deliveries in periods of significant demand are much lower than the Commission's current determination of deliverable supply, which we believe clearly demonstrates the absence of adequately considering delivery logistics in the quantification of actual deliverable supply.

4. **Federal Limits**

We object to the proposed federal spot-month limit increase from 300 to 1,800 CT contracts and urge the Commission to maintain the current federal spot-month limit at 300 CT contracts. Moreover, we disagree with the Proposal's combination of the single-month limit with the all-months limit. The Commission should maintain its single-month limit, particularly for smaller markets like cotton, to prevent concentrated speculative activity in any single month, which would likely jeopardize convergence. As a commercial merchant, we support the reinstatement of a single-month limit of, at most, 50 percent of the all-months limit in order to spread out the impact of speculative activity.

5. **Exchange-Set Position Limits**

The appropriate level of volume and liquidity is necessary for the CT contract to play its vital role in the global cotton ecosystem. These factors should be taken into consideration before a revised exchange-set limit is established for the CT contract.

6. **Form 304**

We support the elimination of Form 204 and the proposed changes to Form 304; however, the Commission should go further with its plan regarding Form 304 and either: (1) eliminate Form 304 completely; or (2) if it has compelling reasons to continue collecting Form 304 data, stop publishing the data for public dissemination.

7. **Conclusion**

While Olam generally supports many aspects of the Commission's proposal, Olam urges the Commission to consider the comments raised herein. Olam believes that these comments are relevant not only to Olam, but to many other similarly situated market participants. Olam thanks the Commission and the Commission staff for their efforts on the proposal and looks forward to receiving feedback. Thank you again for the opportunity to submit these comments.

If the Commission has any questions regarding the views discussed above, please contact the undersigned at 475-888-9342 or Stephan.Ariyan@Olamnet.com.

Respectfully submitted,

Stephan Ariyan
Senior Vice President, Chief Compliance Counsel
Olam International Limited

cc: Honorable Heath P. Tarbert, Chairman
Honorable Brian D. Quintenz, Commissioner
Honorable Rostin Behnam, Commissioner
Honorable Dawn DeBerry Stump, Commissioner
Honorable Dan M. Berkovitz, Commissioner