NATIONAL OILSEED PROCESSORS ASSOCIATION
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May 15, 2020

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:

The National Oilseed Processors Association ("NOPA") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("Commission" or "CFTC") notice of proposed rulemaking entitled "Position Limits for Derivatives" 85 Fed. Reg. 11596 (Feb. 27, 2020) (the "Proposed Rule" or "proposal"). NOPA has provided comments to the CFTC throughout the Commission's rulemaking process on this important issue. Our association notes that the agency has made significant improvements over earlier Commission proposals that should make this rule more workable for commercial market participants. Despite these important modifications, there remain a few critical areas the CFTC should address before issuing a final rule.

Founded in 1930, the National Oilseed Processors Association (NOPA) is a national trade organization representing the U.S. soybean, canola, flaxseed, safflower seed and sunflower seed crushing industries. Our members include 13 companies that operate a total of 61 soybean and 6 softseed solvent extraction plants across 22 states and produce meal and oil used in human food, animal feed, fuel and industrial applications. Collectively, our members process 95 percent of all soybeans in the United States.

A member-driven trade association, NOPA represents its members' interests in the areas of trading rules; international trade matters; and federal legislative, regulatory and biotechnology policies. On behalf of the U.S. oilseed processing industry, NOPA advocates for an efficient global supply chain system, by providing leadership through education, information and market-based solutions to policymakers and trade negotiators; growers; customers; suppliers; and global oilseed organizations.

Our members have long operated in an environment of regulated agricultural futures markets with established position limits. These limits should be based upon the best data available. Therefore, NOPA supports the CFTC's update of deliverable supply estimates. This ensures the industry, regulators and exchanges are using the most currently available data to make critical decisions when establishing position limits.

There are times while running their commercial enterprises when our members must exceed the established limits for bona fide hedging purposes. Therefore, NOPA supports the CFTC's expansion of the list of enumerated bona fide hedges. Specifically, NOPA supports the CFTC's addition of cross-commodity hedges as an enumerated hedge. This is a critical hedge for our members who may use the soybean, soyoil and soymeal contracts to cross hedge other oilseeds, oils and meals for which there is not an established futures contract or not a liquid enough futures contract to be commercially viable. NOPA supports the CFTC's current proposal that the derivative and the product being cross-hedged must have a "reasonable commercial relationship." This proposed standard is a significant improvement over previous CFTC proposals which had standards which would have been unworkable and commercially infeasible.

NOPA also supports the CFTC's proposal to add "Hedges of Unfilled Anticipated Requirements" to the list of enumerated bona fide hedges and to allow hedges of this type to extend beyond twelve months. Further, NOPA supports the CFTC's proposed change to the currently enumerated hedge of "Unsold Anticipated Production" that would allow market participants utilizing this exemption to hedge beyond twelve months. Taken together, these two proposed changes make significant enhancements in our members' ability to manage commercial risk at their processing facilities, which entails hedging anticipated requirements and hedging anticipated production. NOPA also supports the CFTC's inclusion of "Anticipatory Merchandising" as an enumerated bona fide hedge.

NOPA also urges the commission to carefully consider adding "Unpriced Physical Purchase/Sale Commitments" to the list of enumerated hedges. Unpriced but firm contracts are commonplace in our industry, where delivery of final product is required. Risk is managed through spreads between origin and destination often using a combination of long nearby futures contracts, short deferred futures contracts, and "Exchange for Physical" with the ultimate buyer. Unpriced contracts give flexibility to buyers and sellers to manage their risk and should be considered by the CFTC as an enumerated hedge.

NOPA is aware that many of the trade associations we collaborate with on many issues have submitted extensive comments on this proposed rule. Their comments discuss these issues in far greater detail while also outlining views on a far larger number of topics contemplated in the CFTC's proposal. With that in mind, NOPA urges you to give thoughtful consideration to the comments of the Commodity Markets Council and the National Grain and Feed Association.

Thank you for considering the comments of the National Oilseed Processors Association and for your work to ensure the final position limits rule meets the needs of commercial end users.

Sincerely yours,

Thomas A Hammer

Thomas A. Hammer
CEO, National Oilseed Processors Association