May 15, 2020

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

Re: Notice of Proposed Rulemaking on Position Limits for Derivatives

Dear Mr. Kirkpatrick:

The American Feed Industry Association ("AFIA") appreciates the opportunity to provide the Commodity Futures Trading Commission ("CFTC" or "Commission") comments on its proposed rule on *Position Limits for Derivatives* ("proposed rule").

AFIA, based in Arlington, Va., is the world's largest organization devoted exclusively to representing the business, legislative and regulatory interests of the U.S. animal food industry and its suppliers. Founded in 1909 as the American Feed Manufacturers Association, AFIA's members include nearly 700 domestic and international companies, such as livestock feed and pet food manufacturers, integrators, pharmaceutical companies, ingredient suppliers, equipment manufacturers and supply companies that provide other products or services to feed manufacturers, as well as several state, national and regional member associations. AFIA is also recognized as the leader on international industry developments, representing the industry at global forums, including within the International Feed Industry Federation.

AFIA members manufacture more than 75% of all animal food in the United States and over 95% of feed ingredients for livestock, poultry and aquaculture are – or are direct derivatives of – exchange-traded commodities. With that in mind, AFIA's members have significant interest in commodity markets, their stability, and subsequently, this proposed rule.

AFIA and its members are generally supportive of the Commission's efforts to establish speculative position limits and its stated goal to "preserve the integrity of derivatives markets for the benefit of commercial interests, producers, and other end-users that use these markets to hedge risk and of consumers that consume the underlying commodities." AFIA appreciates the Commission's approach to the proposed rule and finds that the rule reflects careful consideration by the Commission and staff of prior comments on this issue and that it is a significant improvement over those prior proposals. It sets spot month limits on core-referenced futures contracts based upon updated measures of deliverable supply, and we believe it is better aligned with current commercial hedging practices, is less burdensome on market participants and will improve market efficiency.

In AFIA's analysis of the proposed rule, its members consistently determined preservation of bona fide hedging activities to be the most important responsibility of the rule. As commercial end-users, AFIA's members prioritize the need for markets to work well for their primary function of price discovery and risk management. In addition, AFIA appreciates the Commission's goal of regulatory flexibility to provide "broader discretion for market participants to measure risk in the manner most suitable for their business."

AFIA recognizes the Commission's efforts to make significant, positive progress in addressing position limits and for doing so with the acknowledgement of comments submitted to previous rulemakings by market participants and trade associations, including AFIA. These changes significantly improve upon previously proposed rules on position limits. AFIA offers these specific comments:

1. **Bona Fide Hedging:**
   AFIA appreciates the careful consideration given to the definition of "bona fide hedging" and strongly supports the Commission's expansion of enumerated bona fide hedge exemption categories as well as CFTC's intent to "acknowledge to the greatest extent possible" bona fide hedging exemptions already in place.

   However, AFIA is concerned over the narrowing of the definition of "bona fide risk" to include only direct "price risk." AFIA believes that its member companies face additional outside risks – related to transportation, supply, embargoes, pandemics, etc. – that pose large economic impacts on their commercial operations that could also be reflected through the Commission's recognition of additional bona fide hedges. In addition, AFIA believes that important additional hedges should be enumerated, including certain calendar spreads designed to increase the efficiency of Anticipatory Merchandising or Grain Export Hedges.

2. **Position Limits:**
   AFIA is generally supportive of the proposed position limits on core agricultural contracts and supports the Commission's decision to raise position limits significantly outside of the spot month for agricultural core referenced contracts (and related referenced contracts). However, AFIA urges the Commission to consider phasing in these adjustments for agricultural commodities to assess the impacts of increasing limits on contract performance.

Overall, AFIA is strongly supportive of the proposal and the Commission's attention to industry concerns. AFIA believes these comments to be relevant to its member companies and appreciates the opportunity to share them. For any assistance with questions or for further information, please contact Cory Harris, AFIA's manager of government relations, at charris@afia.org.

Thank you,

Leah Wilkinson

Leah Wilkinson
Vice President of Public Policy and Education
American Feed Industry Association