



PARKDALE

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June 9, 2020

Christopher Kirkpatrick  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington DC 20581

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

Dear Mr. Kirkpatrick:

Founded in 1916, Parkdale is the largest manufacturer of cotton and cotton blended yarns in the Western Hemisphere and is the largest consumer of US Cotton. Parkdale, its grower/suppliers, and yarn customers, many of which are well known brand names, use ICE cotton futures contracts to hedge their price risk.

Parkdale appreciates the opportunity to submit this comment letter in response to the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposed rulemaking entitled "Position Limits for Derivatives (the "Proposal").

Parkdale supports the Commission's efforts to limit excessive speculation and unwarranted price volatility. A stable derivatives market reflective of the fundamentals of the underlying commodity is in the best interest of both the production and consumption of US cotton fiber.

Parkdale writes in support of the comment letters submitted by the National Cotton Council (NCC) and the National Council of Textile Organizations (NCTO). We support NCC's and NCTO's comments and other trade organizations to the extent those comments are consistent with those herein.

**Risk Management Exemptions:** We welcome the proposed rule to modify the "temporary substitute test" to require that bona fide hedging transactions or positions in a physical commodity must *always* and not just *normally* be connected to the production, sale and use of a physical cash market commodity. We also support the elimination of risk management exemptions for banks because outsized positions in physical commodity-focused indexes can have significant, adverse effects on futures market price dynamics.

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Position Limits for Derivatives (RIN 3038-AD99)

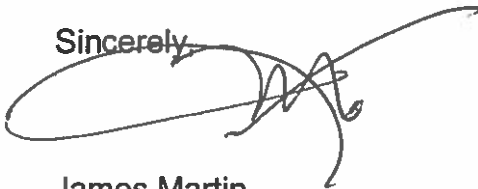
**Deliverable Supply:** We disagree with the Commission's acceptance of the deliverable supply estimates for the US Cotton No 2 ("CT") contract. Deliverable supply estimates should be considered in terms of a product's quality and its legitimate logistical availability for delivery. The estimates included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

**Federal Limits:** Parkdale objects to the proposed federal spot month limit increase from 300 to 1,800 CT contracts. Moreover, Parkdale disagrees with the Proposal's combination of the single-month limit, particularly for smaller markets like cotton, to prevent concentrated speculative activity in any single month, which would jeopardize convergence. The proposed limits are not in line with historical limits, are excessive, and, if adopted by the exchange, will likely be disruptive to orderly market flows. The proposed limits of 1,800 for the spot month and 11,900 single/overall month are far in excess of the existing limits of 300 and 5,000 respectively. The proposed limit increases are disproportionately higher than proposals for other commodities. Should the exchange choose to adopt these limits or those anywhere near these proposed federal limits, especially in the spot month, the Commission will have fostered excessive speculation and unwarranted price volatility. Parkdale respectfully requests that the Commission reduce the proposed maximum federal limits to more appropriate levels that are in line with historical norms.

**Form 304:** Parkdale supports 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.

Thank you for the opportunity to provide comments on the Proposal. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be 'JM', written over a large, loopy flourish that extends to the left and then curves back up and to the right.

James Martin  
Executive Vice President, Cotton Operations