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Mr. David Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

January 28, 2008

COMMENT

Re: Proposed Risk Management Exemption from Federal Speculative Position Limits

Dear Mr. Secretary,

Thank you for the opportunity to present comments on the proposal to exempt "risk management" positions from Federal speculative position limits. As one of the nation's largest corn and soybean meal end users, we rely heavily on the exchange traded markets to represent and reflect fair value and we feel this issue is of great importance.

Cash buyers and sellers have been exempt from the position limits, as their positions could easily be tied to cash exposures. There was a natural, self-limiting control in place that logically no single entity could become large enough (limited by cash flow, physical storage space, or actual demand) to control enough volume to add undue volatility. By exempting the index funds from speculative limits, thereby allowing for virtually unlimited positions, the natural limitations will no longer be in place. With current and growing money flows, it will be easy for index funds, singularly or as a whole, to control positions equal to or larger than physical annual crop sizes.

We feel that allowing the proposed changes would be clearly contrary to Section 4a of the Commodity Exchange Act, 7 U.S.C 6a which states:

Excessive speculation in any commodity under contracts of sale of such commodity for future delivery made on or subject to the rules of contract markets or derivatives transactions execution facilities causing sudden or unreasonable fluctuations or unwarranted changes in the prices of such commodity, is an undue and unnecessary burden on interstate commerce in such commodity.

We believe that the excessive speculation that will occur and the resulting price volatility from the index funds' activities will have a direct impact on the end-users' and producers' ability to properly plan, budget and respond to price signals. The producer may interpret a sell-off in prices as a signal that less production is needed, when in fact, the sell-off had more to do with the index fund owners' desire to exit the broadly diversified fund (heavily energy related) because they no longer desired a position in the

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energy market. With the creation of and further growth in index funds, there is a great chance that there will exist un-natural commodity price correlations.

An historic (monthly) correlation of corn and crude oil is .29 – not very well correlated. A more recent (daily) correlation of corn and crude oil is .585 – nearly twice as correlated. The argument can be made about ethanol's involvement; however the price correlation between ethanol and crude oil is only .22 on a similar daily – nearby basis. Crude oil should reflect on corn prices as it relates to cost of production and transportation; but when nearly 60% of the corn price can be defined by the change in the price of Crude oil, then one has to wonder if the volume of the current funds are already having an impact.

Once allowed, and limitless, one can only wonder how the grain markets will react when crude oil rallies for multiple days or crashes for multiple days. We should not force relationships in commodities that do not have natural price relationships. All commodities have not historically moved in concert; however, when they did, it was because the markets were telling the participants that bigger issues were at stake, i.e. inflation, deflation, recession, etc. We need that barometer to remain intact in the market.

We oppose the proposed changes, as we do not see these as benefits to end users or producers. We feel strongly that the index funds should be treated as a speculator, and exist within the margin requirements established. The individual or fund buying this index is doing so on a speculative basis, as they are clearly betting that commodities, as a whole, will move higher. The creator of the index would not be required to have a risk management position if they had not created the tool for the speculator. When one follows the money flow, it is clear that it is still a speculative trade and it should, without question, be treated as such.

Again, thank you for allowing us to share our comments. If you have further questions, feel free to contact me at edwin.carter@pilgrimspride.com or via phone at 903-434-1789.

Sincerely,

Edwin Carter

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