CHICKEN AMERICA'S FAVORITE

NATIONAL CHICKEN COUNCIL
1015 FIFTEENTH STREET NW, SUITE 930
WASHINGTON, DC 20005
PHONE: 202-296-2622
FAX: 202-293-4005

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COMMENT

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Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581 418.5521

RE: Risk Management Exemption From Federal Speculative Position Limits

Dear Mr. Secretary:

The National Chicken Council (NCC), which represents companies that produce/process about 95 percent of the chicken in the United States, appreciates the opportunity to provide comments on the proposed rulemaking to allow for certain types of funds Risk Management Exemption From Federal Speculative Position Limits. Taken together, U.S. chicken companies are the largest corn and soybean meal end-users in animal agriculture. It is critically important, therefore, that the financial markets reflect the fundamentals of the supply and demand for the grain and oilseed markets. Based on the current money flows into agricultural commodities, NCC believes allowing certain types of positions held by funds to be classified as "risk management positions" will further encourage more speculation to occur in these commodities. This, in turn, will cause increased distorted price action and a continued increase in unwarranted volatility for end-users like us.

Regardless of the type of fund and its stated purpose, the original invested equity moving into funds is always invested as speculative money. That money moves into the hands of a fund, whether traded actively or passively, does not negate the fact that the original money and purpose for that money was speculative.

There seems to be a virtual endless supply of such speculative capital, and that capital already is dominating the agricultural futures markets today. There are agricultural markets where the entire U.S. crop is traded almost on a daily basis adding unnecessarily to volatility, which does significantly impact both pricing and hedging performance of markets. The ultimate value of hedging is to allow grain and oilseeds to move from producers to ultimate consumption at a lower risk and maximum efficiency, thereby creating better returns for producers and favorable prices for consumers. Recent dramatic increases in volatility and growing investment by large, nontraditional market participants have dramatically raised the risk and cost of moving grain and oilseeds through the system.

If the CFTC allows for certain types of funds to be exempted from regulated speculative limits, the trading volume will continue to increase and significant daily price swings will be further encouraged.

In addition, because of borrowing limitations, many companies – large and small – are significantly reducing bids, or eliminating bids altogether, on deferred grain purchases. If this trend continues, it defeats the fundamental purpose of futures coupled with the cash forward exclusion to provide producers access to deferred cash sales to manage price risks.

With these facts and situation in mind, NCC recommends that CFTC not adopt the proposed rule change related to the hedge exemption for funds, with the understanding that agricultural futures markets were established with an economic purpose to serve as efficient, central public pricing and hedging vehicles for grain and oilseeds. That purpose is not being fulfilled as well as it should be under today's conditions, and the current broadened definition of hedging to include certain types of funds has contributed to this situation.

This CFTC proposed rulemaking is not beneficial to the end user community, especially the U.S. chicken industry. Therefore, NCC does not support allowing for certain types of funds to be classified as risk managers.

Sincerely,

William P. Roenigk

William P. Roenigk
Senior Vice President