RMFU Rocky Mountain Farmers Union

January 11, 2011

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

Delivered Via Email: dfarulemakings@cftc.gov**;** PosLimits@CFTC.gov

Re: Rulemaking for the Dodd-Frank Wall Street Reform Act

Dear Secretary Stawick:

On behalf of Rocky Mountain Farmers Union members in Colorado, Wyoming and New Mexico, I urge you and the CFTC to move forward with full implementation of the Dodd-Frank Wall Street Reform Act as quickly as you can. The *Wall Street Journal*'s story "Investors Pile into Commodities" (December 8, 2010) illustrates the importance of establishing regulations to limit the number of commodity futures contracts a speculator may hold. The article highlights the fact that investors hold their biggest positions on record in the commodity markets. Today total investments in commodities exceed $300 billion dollars. Hedge funds, pension funds and mutual funds have dramatically ramped up their holdings. According to *WSJ*, the current number of contracts for commodities far exceeds that of mid-2008, which was the last time commodity markets were growing to record levels.

Concentration of contracts among a few "big money" speculators is distorting prices. It also makes it more difficult for producers and actual users of commodities to manage their economic risks. The market is so distorted that supply and demand is irrelevant for livestock and grain producers attempting to work out contracts for production. The CFTC must implement enforceable limits on the number of futures contracts that a speculator can hold, as per the Dodd-Frank Wall Street Reform Act. Futures contracts are an essential risk management tool for producers and commodity users. Please act quickly to restore the integrity of that tool.

We share the concerns of R-CALF USA submitted for the record on January 3, 2011. Like our colleagues at R-CALF USA, we want large beef packers, who are legitimate hedgers for a certain volume of cattle, to stop entering the commodity futures markets as speculators, with the inevitable effect of manipulating the cash price they will pay for cattle. Beef packers should not be entitled to the end-user exception for speculative trades beyond their physical needs for slaughter cattle.

Your rulemaking authority can restore the futures market to its original purpose, which was to offer producers a marketing tool that balanced risks. The futures market should not be subject to distortion and manipulation by speculators, whether money handlers or corporate agriculturalists.

Commodity futures markets are highly susceptible to market distortion when speculation dominates the markets. Commodity producers operate on slim margins, and family-sized operations can be devastated by even small changes in prices. In such a business environment, producers engaged in the important task of feeding our nation and the world find their economic success dependent on market volatility and market distortions.

We agree with R-CALF USA that the CFTC should also make it unlawful for dominant beef packers to engage in speculative short selling of the market. Again, the effect is to drive down the prices they themselves will pay for cattle. The CFTC should ensure that the live cattle futures market is dominated by physical hedgers. This can be accomplished in the CFTC's rulemaking if you impose limits on contracts a speculator can aggregate and you distinguish trades involving *bona fide* hedgers from those involving speculation.

Effective limits on speculative positions would prevent commodity indexing by large institutional investors, which distort futures market price discovery. The CFTC should restore daily market price limits to levels that minimize market volatility. It should stop allowing cash settlements on futures contracts in lieu of delivery of the commodity, because this practice lowers the cattle futures price on the day of contract expiration. Limits on speculative positions for feed grain commodities markets would reduce market distortions rippling from feed grains futures to the cattle futures.

We look forward to working with you and the CFTC in the rulemaking process. We are confident that thoughtful rules can finally eliminate practices that cause artificial price distortions in the derivatives market and destroy the effectiveness of the futures market as a tool for price discovery and risk management.

Sincerely,

Kent Peppler

Kent Peppler, President
Rocky Mountain Farmers Union