

**From:** Farnsworth, Karla <Karla.Farnsworth@chsinc.com>  
**Sent:** Wednesday, September 22, 2010 3:52 PM  
**To:** dfdefinitions <dfdefinitions@CFTC.gov>  
**Subject:** CHS Comments For Definitions Contained in Title VII Dodd-Frank Bill  
**Attach:** CHS Sept 20 Definition Comments.pdf

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Please find attached our comments.

Thanks,  
Karla

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3500 Center Drive  
Moberly, Missouri 65270  
661077

September 23, 2010

Mr. David A. Stawick  
Secretary  
Commodities Futures Trading Commission  
Three Lafayette Centre  
1155 – 21<sup>st</sup> Street, NW  
Washington, DC 20581

Dear Mr. Stawick:

On behalf of the farmers, ranchers and their local cooperatives that comprise our membership, CHS Inc. submits the following comment in response to the Commodity Futures Trading Commission's (CFTC) **request for comments: Definitions Contained in Title VII of Dodd-Frank Wall Street Reform and Consumer Protection Act (17CFR Part 1)**.

CHS, owned and governed by farmers, ranchers and local cooperatives across the United States, supplies energy, crop nutrients, grain, livestock feed, food and food ingredients, along with business services including insurance, financial and commodity risk management services. We are proud to be among the farmer-owned cooperatives of this nation supporting the continued success of American agriculture through myriad services to our member-farmers that they would otherwise, on an individual basis, not be in a position to procure individually.

And while farmer cooperatives have unique status under federal and state law, they face equally unique challenges and constraints on behalf of their members due to the very nature of the business of agriculture. Price volatility in agricultural commodities requires the use of swaps by farmer cooperatives, or their subsidiaries, to better manage their farmer-members' exposure in otherwise illiquid markets.

Farmer cooperatives that enter into swaps with third parties (members) in the course of marketing these members' agricultural products **should be treated as end-users** because this activity is entered into for the sole purpose of hedging the physical product that the co-op is marketing on behalf of its members. This **end-user definition would extend** logically to an affiliate or subsidiary of a farmer cooperative acting on its behalf in this activity as this entity is aggregating this hedging of risk for the membership.

At the same time, this "cooperative" structure also mandates returning any earnings from the array of services – including the managing of price risk through hedging activity – back to its farmer-members as patronage, enhancing the individual's overall farm income.

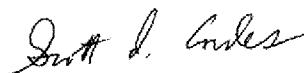
In not creating markets through swap activity, farmer cooperatives are essentially end-users, having employed swaps as part of their risk mitigation business, as was intended when futures and options were implemented. Farmer cooperatives are not the cause of systemic risk, but rather swap transactions to hedge commercial risk and support the viability of their members' farms and cooperatively owned

facilities. In this light, farmer **cooperatives should be treated as end users**. We believe this was the **intent of Congress when drafting the Dodd-Frank Act**.

In closing, farmer cooperatives are a critical component of U.S. agriculture, providing supply, processing and marketing services to their farmer-members. Increasingly, producers depend on their cooperatives to provide them with the tools to manage price risk as volatility in commodity markets as increased. Derivatives not only allow co-ops to hedge the commercial risk in their operations, but also allow them to offer customized price risk management tools to their farmer-members. As the CFTC outlines regulations to implement the Dodd-Frank Act, CHS strongly encourages you to **take into account the unique nature of agricultural cooperatives** and their future ability to provide **risk management services to their farmer-members**.

Thank you for your consideration and should you need any further information please feel free to contact me at 651-355-6550.

Sincerely,

A handwritten signature in cursive script that reads "Scott J. Cordes".

Scott J. Cordes, President  
Country Hedging Inc., a subsidiary of CHS Inc.