



NATIONAL COUNCIL OF FARMER COOPERATIVES

November 24, 2010

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

RE: Notice of proposed rulemaking: Agricultural Commodity Definition (Federal Register/Vol. 75, No. 206)

Dear Mr. Stawick:

On behalf of the more than two million farmers and ranchers who belong to one or more farmer cooperative(s), the National Council of Farmer Cooperatives (NCFC) submits the following comments in response to the Commodity Futures Trading Commission's (Commission) notice of proposed rulemaking: Agricultural Commodity Definition (17 CFR Part 1) (Notice).

Since 1929, NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn composed of over 2,500 local farmer cooperatives across the country. As processors and handlers of commodities, and suppliers of farm inputs, farmer cooperatives are commercial end-users of over-the-counter (OTC) derivatives. Due to market volatility, cooperatives use swaps to better manage their exposure by customizing their hedges. This practice increases the effectiveness of risk mitigation and can reduce the costs of those activities.

In addition, cooperatives aggregate their owner-members' small volume swaps or forward contracts and transfer that risk to a swap partner. This gives cooperatives the ability to offer customized products to producers to help them better manage their risk and returns, and ultimately provide more predictable profitability.

Definition of "Agricultural Commodity"

NCFC supports the Commission's rulemaking effort to define the term "agricultural commodity" for the first time, as is required due to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. And, after reviewing the four categories as outlined in the "Terms of the Proposed Definition," NCFC supports the Commission's proposal to add that definition to section 1.3, the Definitions section of the Commission's regulations.

In response to the six specific questions posed in the Notice, NCFC is unaware of any commodities that do not fit within the terms of the proposed definition, but which should be

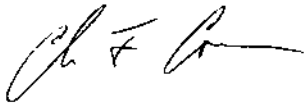
considered to be “agricultural commodities” for purposes of the Commodity Exchange Act and Commission regulations. Nor are we aware of any commodities that do fit within the terms of the proposed definition, but should not be considered to be “agricultural commodities.” However, as noted in category three, we appreciate that “the Commission may by rule, regulation, or order designate after notice and opportunity for hearing” any other commodity “on a case-by-case basis as questions arise in the context of specific markets or transactions.” In addition, we believe a process for making a determination for any commodity that may be disputed should include ample opportunity for public input.

NCFC also supports the Commission’s proposed treatment of commodity-based contracts, including index contracts, “based wholly or principally on a single underlying agricultural commodity.” Without information on the practical effects of using a larger or smaller threshold than the proposed more than 50 percent to define “principally,” NCFC supports the more than 50 percent level of a single commodity as proposed. We suggest future review of that level if concerns are raised or potential issues need to be addressed.

At this time, NCFC is unaware of any undesirable effects that might result from omitting biofuels from the definition, or any reason not to make the definition of agricultural commodity effective upon the publication of a final rule.

Thank you for this opportunity to provide input on the Commission’s rulemaking process in defining agricultural commodities. Please contact us if we can provide further information or clarification.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. F. Conner', written in a cursive style.

Charles F. Conner
President & CEO