



4001 Lexington Avenue North  
Arden Hills, Minnesota 55126

Susan A. Grelling  
Vice President, Commodity Risk Management

Mailing: P.O. Box 64101  
St. Paul, MN 55164-0101

651-766-1807 Phone

January 13, 2011

Gary Gensler, Chairman  
Commodities Futures Trading Commission  
Three Lafayette Centre, 1155 21st Street, NW  
Washington, DC 20581-0001

Dear Chairman Gensler:

Thanks once again to you and the CFTC staff for taking the time on January 6 to discuss my questions and concerns about the impact of the Dodd-Frank implementation rules.

We feel that Land O'Lakes should not be regulated as a swap dealer under the Dodd-Frank Act because we are an agricultural cooperative as defined in the Commodity Exchange Act that enters into swap agreements to hedge or mitigate commercial risk either for our own facilities or those of our members.

Throughout this process, we have received feedback from Capitol Hill that Congress did not anticipate that Dodd-Frank could affect the ability of farmer cooperatives to provide their members with risk management and price protection programs, nor did they intend for that to happen. Therefore, we appreciate your efforts to understand how cooperatives use swaps and derivatives.

I was reassured by our dialogue specifically about how Land O'Lakes provides our dairy farmer members with opportunities to lock in a milk price over a fixed period of time. When it became clear that these contracts are backed up by the intent to physically deliver a product, you indicated that these would be viewed as forward contracts, not swaps, even though we may be using documentation and forms that are commonly used for swaps. At your request, I will continue to speak with Julian Hammar to further clarify questions regarding our process to support him as he works to finalize the definitions.

While that clarification addresses a significant portion of Land O'Lakes swap activity, I still am concerned that the \$100 million threshold for the de minimis exemption is set too low. During our discussion on January 6, it was unclear to me whether an entity would be allowed to net its positions as it pertains to the de minimis threshold. For Land O'Lakes, if we are allowed to net our positions, then we are below the \$100 million threshold. However, I still have two concerns. First, other cooperatives represented by the National Council of Farmer Cooperatives may still have difficulty meeting this threshold, and my sense is that it is still too low. Second, a defined

threshold reduces the price risk that we are able to mitigate in years of high commodity prices and high volatility; the very years when the need to offset risk is at its highest.

Our discussion of the de minimis exemption also revealed a potential issue relative to the number of counterparties and swap contracts with which an entity could have dealings. I indicated that Land O'Lakes has price risk exposure in many diverse market areas. For example, on the supply side we enter into swaps with counterparties that specialize in distinct markets such as dairy products, grains, or energy. An energy swap counterparty may have no experience in whey markets, and a corn swap counterparty may have no experience in butter.

On the demand side, we have a diverse customer base that seeks price certainty in the dairy and grain markets through the use of swaps. We would not want to limit the number of customers we do business with simply because of de minimis limits. In addition, given counterparty credit risk, we feel it is critical to diversify our portfolio of swap partners to diversify and reduce credit risk exposure. As such, it is not in our best interest to operate with only fifteen counterparties and twenty swap contracts.

The final three items that we discussed I think were resolved in a fairly straightforward manner.

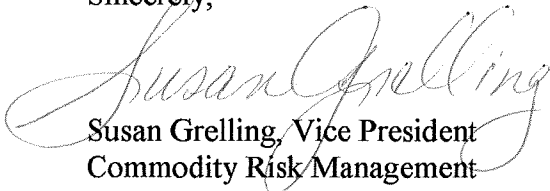
You clarified that in the case of an end-user to end-user swap, the swap must be reported. But the situation would not force one of the parties to meet the margin requirements of a swap dealer.

Toward the end of the meeting, we were asked if we could be classified as a 'commodity trading advisor.' We do not offer trading advice either to our cooperative members or to non-members.

We also were asked if Land O'Lakes publicly offers our risk management programs. We do not. We enter into swaps with our customers, our brokers, and our members. A dairy farmer must be a Land O'Lakes member (that is, he or she must have signed a marketing agreement that makes him a member of the cooperative) in order to take advantage of any of our price protection programs. However, that may not be the case with other agricultural cooperatives.

I do appreciate the open and collaborative process that you have initiated. Land O'Lakes will remain engaged in the process of implementing the Dodd-Frank law on our own behalf and as a member of the National Council of Farmer Cooperatives group.

Sincerely,



Susan Grelling, Vice President  
Commodity Risk Management