February 22, 2011

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

RE: ***Further Definition of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant" and "Eligible Contract Participant"; Proposed Rule (Federal Register Vol. 75, No. 244)***

Dear Mr. Stawick,

In response to the entity definitions proposed rule, we submit the following comments for your consideration. Our organizations represent a broad section of agriculture producers and agribusiness that rely on futures and swap markets to hedge the commercial risk inherent to agriculture production, processing and marketing.

Swaps are used by our members because they provide a targeted, customized, cost-effective, and efficient risk management strategy in the grain/oilseed, dairy, livestock, and farm input sectors. Swaps offer contract characteristics generally unavailable on regulated futures markets, such as custom sizes and contract dates that line up more closely to producers' needs. In addition to providing the agriculture sector the ability to offer customized products to help producers better manage risk and returns, the risk associated with offering forward contracts to farmers with a price guarantee often is offset with swaps.

We are concerned that the proposed definition of "swap dealer" contained in the proposed definitions rule is overly broad and would capture entities that were never intended by Congress to be regulated as swap dealers. At times, providing and using hedging tools in the agriculture industry in the form of swaps may look somewhat similar in nature to functions performed by a "swap dealer" as outlined in the draft regulations. However, swaps utilized by our members are not being used for speculative purposes; rather, they are used to hedge commercial risk by entities with an underlying interest in the physical commodities themselves and to support the viability of farmers, including many small producers with no other practical access to risk management tools that serve their specific needs.

If increased requirements for mandatory clearing, posting capital and margin, reporting, record keeping and other regulatory requirements intended for large financial institutions are applied to those that offer risk management products to farmers, those tools would become less available and more expensive. That would be a highly undesirable outcome in today's volatile marketplace where more risk management tools are needed, not less.

Therefore, we strongly urge the Commission to take into account the unique needs of the agriculture sector to have access to better risk management instruments – including customized products like swaps – when refining the definitions regulations. Clearly, it was not the agriculture sector that caused the financial crisis in 2008; to the contrary, the agriculture sector benefitted by the use of swaps during that volatile time and posed absolutely no systemic risk.

We look forward to working with the Commission to preserve the ability of producers and others in the agricultural sector to have access to the products they need to manage their commodity price risk in the future.

Sincerely,

American Farm Bureau Federation
American Soybean Association
National Association of Wheat Growers
National Cattlemen's Beef Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Milk Producers Federation
National Pork Producers Council