



Wednesday, June 2, 2011

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Mr. Gary Gensler
Chairman
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street NW
Washington D.C.

OFFICE OF THE
SECRETARIAT

COMMENT

Re: End-user exemption to mandatory clearing of swaps, under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Dear Mr. Gensler:

Agricultural Leaders of Michigan respectfully requests that you grant an exemption to mandatory clearing of swaps for financial institutions within the Farm Credit System. If allowed to go forward, this proposed rule requiring mandatory clearing will put small farm banks, agricultural businesses and rural jobs at risk. Small member-owned associations within the Farm Credit System should not be unfairly hamstrung by regulations intended for – and brought about by – large commercial banks.

As you know, small financial institutions within the Farm Credit System have helped grow our nation’s agricultural sector for nearly 100 years. In the process, the Farm Credit System and its member associations, such as GreenStone Farm Credit Services in Michigan, have helped create local jobs and brought new opportunities to rural communities across Michigan and the nation.

While ALM shares in the overall goal of Wall Street reforms to make our nation’s financial institutions safer for and accountable to all consumers, we also believe that a one-size-fits-all approach to very specific types of financial practices may cause unintended consequences that could end up backfiring.

The end-user exemption to mandatory clearing is one such instance.

This rule aims to make the derivatives market safer by requiring mandatory clearing of swaps – a massive runaway scheme hatched by risky Wall Street institutions that brought our nation to the brink of a major depression in 2008. Unlike these commercial banks, small institutions within the Farm Credit System manage clearing of swaps differently, much more safely and more effectively. While the proposed CFTC rule directly addresses reckless practices associated with large commercial banks, it would have virtually zero practical impact on how the Farm Credit System manages derivatives.

On the other hand, its only impact to Farm Credit institutions would be to inflict unnecessary costs on our farmers and rural customers.

The Farm Credit System, its member financial institutions and our rural and agricultural members did NOT cause nor engage in the kinds of practices that led to the 2008 Wall Street meltdown. Small financial institutions and our rural members do not believe it is good business to take dangerous risks. As a result, we manage derivatives very differently from large commercial banks. We rely on the safe use of derivatives to manage interest rate, liquidity and balance sheet risk, mainly in the form of interest rate swaps. Here are some specific factors that warrant our exemption from mandatory clearing of swaps:

- Farm Credit financial institutions have a proven track record of being competitive, dependable and safe sources of credit for Michigan and American farmers.
- The Farm Credit System is not interconnected to the banking industry. It has not had nor is at risk of a credit crisis. Associations within the system serve as a pass through to their farmer-owned members groups.
- Farm Credit associations' average asset size is less than \$10 billion, meaning they – through the collective asset liability management services of their wholesale banks – should be given the same exemptions as many other small financial institutions and commercial end-users.
- Mandatory clearing and margin requirements will raise costs for agriculture and ultimately raise food prices for consumers. Estimates put those costs at between \$2.8 million to \$10 million per year across the 17 associations that make up the AgriBank Farm Credit Districts in 15 states, including Michigan.

We note that GreenStone Farm Credit Services, a member of ALM, is a \$5.6-billion institution. The nation's seventh-largest institution within the Farm Credit System, GreenStone serves more than 21,000 members across Michigan and northeast Wisconsin. Farm Credit financial institutions like GreenStone have a proven track record of being competitive, dependable and safe sources of credit for Michigan and American farmers.

ALM joins others that have expressed support for an exemption to mandatory clearing. This includes the Farm Credit Council, the national trade association for the Farm Credit System.

Once again, ALM respectfully asks you to grant small institutions within the Farm Credit System an exemption to mandatory clearing of swaps.

Your timely decision can provide much-needed support to agriculture and rural communities.

Sincerely,

Dave Armstrong
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 President of the **Michigan Milk Producers Association**
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