National Grain and Feed Association

1250 Eye St., N.W., Suite 1003, Washington, D.C. 20005-3922, Phone: (202) 289-0873, FAX: (202) 289-5388, Web Site: www.ngfa.org

April 4, 2011

Mr. David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

RE: Commodity Options and Agricultural Swaps, Federal Register, Vol. 76, No. 23, February 3, 2011

Dear Mr. Secretary:

The National Grain and Feed Association (NGFA) appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (CFTC) on its proposed rule regarding the regulatory structure for agricultural swaps and commodity options. The NGFA supports treating agricultural swaps in a manner consistent with other types of swaps under the Dodd-Frank Act and, therefore, is largely supportive of the Commission's proposed rule as detailed below.

The NGFA is the national non-profit trade association representing more than 1,000 companies that operate an estimated 7,000 facilities nationwide in the grain, feed and processing industry. Member firms range from quite small to very large, both privately owned and cooperative, and handle or process in excess of 70% of all U.S. grains and oilseeds annually. Companies include grain elevators, feed mills, flour mills, oilseed processors, biofuels producers/co-product merchandisers, futures commission merchants and brokers, and related commercial businesses.

In today's challenging marketplace for producers and agribusiness firms, enhanced opportunities to utilize a broader range of risk management tools are vitally important. In this regard, the Dodd-Frank Act relative to agricultural swaps serves the dual purpose of eliminating obsolete regulation and requirements that have hindered new product development and usage, while at the same time providing ample safeguards to the marketplace and to participants. In particular, the NGFA supports the following elements of the proposed rule:

<u>Removing Outdated Constraints on Agricultural Swaps</u> – The use of agricultural swaps has been constrained relative to other swaps by virtue of being subject to CFTC regulatory requirements, while other swaps have been exempted from CFTC oversight. As the Commission's proposed rule notes, the passage of the Dodd-Frank Act changes the regulatory structure for all swaps and institutes a number of safeguards, including the limitation that only eligible contract participants (ECPs) may engage in swaps unless entered into on a designated contract market; mandatory clearing requirements for swaps; and registration, reporting, business standards, and capital and margining requirements for swap dealers and major swap participants. The NGFA believes that these safeguards provide more-than-ample protection in the swaps marketplace for both agricultural and non-agricultural swaps and that there is no compelling reason to place additional burdens on agricultural swaps.

<u>Agricultural Trade Options</u> – As referenced in the Commission's proposed rule, products previously known as agricultural trade options (ATOs) now have been redefined in Dodd-Frank as swaps. The NGFA long has believed that an effective ATO regulatory structure could benefit agricultural producers and the agribusinesses with which they work to develop marketing strategies and market their crops. However, the rules in place have been unwieldy and, consequently, the ATO merchant registration regime has been largely unused, as noted. The NGFA believes the redefinition of ATOs as swaps, subject to conditions under Dodd-Frank (notably the Eligible Contract Participant rules), will result in enhanced development and use of products that formerly would have been categorized as agricultural trade options and a broader range of risk management tools.

<u>End-User Exemption</u> – Though beyond the scope of this particular rulemaking, the NGFA would like to reiterate its strong support for implementation of a robust end-user exemption from the mandatory clearing, capital and margining requirements of Dodd-Frank. As previously recommended in the end-user exemption rulemaking, the NGFA would like to see a final rule that extends the exemption to counterparties of end-users, thereby avoiding additional cost and regulatory burdens that would trickle down to end-users and ultimately to their customers.

The NGFA deeply appreciates the work of the Commission and the opportunity to comment on the proposed rule. We would be happy to provide any additional information that might be helpful to the Commission as it considers the above comments and other input on the rule.

Sincerely,

Matt Bruns

Matt Bruns
Chair, Risk Management Committee