



Risk Management

December 22, 2014

Melissa Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NA
Washington, DC 20581

RIN number: 3038-AE24

Dear Ms. Jurgens:

Dairy Farmers of America submits these comments on behalf of our more than 15,000 member-owner dairy farmers. We are commenting on the Commodity Futures Trading Commission's Proposed Interpretation about forward contracts with embedded volumetric optionality pursuant to your request dated November 20, 2014.

We appreciate the clarifications you made to the seven-part process of determining the status of an excluded forward contract with embedded volumetric optionality. We view the clarifications as helpful.

The dairy industry utilizes a variety of physical delivery contracting mechanisms to best match the uncertainties with dairy farmer milk supply changes, including those of a seasonal nature, and those of the uncertainties of the amount of milk and dairy products demanded by US companies and international buyers. To meet buyer and seller needs for highly perishable loads of milk, the dairy industry has long utilized sales contracts that allow for embedded volumetric optionality, which, had not been regulated by the CFTC. These contracts may have a variable delivery requirement because of the uncertain supply and demand needs both domestically and internationally as opposed to a purely financial derivative dealing only with price risk. As such, these contracts should not be considered an agricultural trade option and should not be regulated as a swap. We are confident, the application of these contracts as a swap was never intended by congressional authors of the Dodd-Frank Wall Street Reform and Consumer Protection Act and an attempt at regulating these milk marketing and sales contracts is an over reach and over read of the legislation's intent.

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If the parties, however, intend to enter into one of these milk marketing and sales contracts primarily for price protection and the contract is determined to be an agricultural trade option the volume of milk or dairy products under the contract should not be subject to the position limits rules and should not count toward either companies' position limits for the respective commodity.

Thank you for the opportunity to comment on the Proposed Interpretation. We support the work of the Commission as it reaches out to DFA and others to implement the regulatory reform brought about by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Sincerely,

A handwritten signature in black ink that reads 'Edward W. Gallagher'. The signature is written in a cursive, flowing style.

Edward W. Gallagher
President
DFA Risk Management
a division of Dairy Farmers of America

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