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January 13, 2015

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

***RE: Records of Commodity Interest and Related Cash or Forward Transactions.
Federal Register/Vol. 79, No. 220/November 14, 2014 (RIN 3038-AE22).***

Dear Mr. Kirkpatrick:

On behalf of the more than two million farmers and ranchers who belong to one or more farmer cooperative(s), the National Council of Farmer Cooperatives (NCFC)¹ submits the following comments in response to the Commodity Futures Trading Commission's ("Commission") notice of proposed rulemakings: *Records of Commodity Interest and Related Cash or Forward Transactions* (RIN 3038-AE22).

Farmer cooperatives – businesses owned, governed and controlled by farmers and ranchers – are an important part of the success of American agriculture. They are a proven tool to help individual family farmers and ranchers through the ups and downs of weather, commodity markets, and technological change. Through their cooperatives, producers are able to improve their income from the marketplace, manage risk, and strengthen their bargaining power, allowing them to compete globally in a way that would be impossible to do individually. These diverse organizations handle, process and market virtually every type of agricultural commodity produced. For example, a cooperative may consist of a closely coordinated network to ensure timely and cost-efficient origination, storage, transportation and marketing of grain and oilseeds. As such, farmer cooperatives rely on futures markets to hedge the commercial risk inherent to agricultural production, processing and marketing.

Several NCFC members are members a designated contract market (DCM), while others would consider membership of a DCM in the future to take advantage of the benefits (having input on contract specifications and lower transaction costs). As such, our concerns with the record keeping requirements for members of DCMs under Regulation 1.35(a) have been: 1) fully understanding what is required to comply with the complex regulation; and 2) the feasibility and costs associated with putting in place the infrastructure to be in compliance.

Agriculture is a high-volume, low-margin industry, and incremental increases in costs, whether imposed indirectly or directly on a cooperative, will trickle down and impact farmers. Taken one rule at a time, the costs may not seem unreasonable, but to those who have to absorb or pass on the collective costs of numerous regulations it is evident. Even as end-users (non-registered entities), significant resources must be used just to comply with the additional paperwork and

¹ Since 1929, NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn composed of over 2,500 local farmer cooperatives across the country. NCFC members also include 21 state and regional councils of cooperatives.

reporting requirements. In fact, a number of NCFC members have had to greatly increase their spending on compliance in the last several years due to Dodd-Frank rules, including hiring additional staff and outside assistance, and investments in technology.

Therefore, NCFC appreciates the Commission's previous no-action relief (CFTC Letter 14-72) and its inclusion in the proposal excluding unregistered members from the requirements to retain text messages and to store required records in a form and manner identifiable and searchable by transaction.

Additionally, we appreciate the Commission's initiative to further clarify 1.35 (a) to amend the language of 1.35(a) to: "(i) provide that all records that are required to be maintained under this regulation must be searchable; and (ii) clarify that all such records must be kept in a form and manner that allows for identification of a particular transaction, except that records of oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in a commodity interest and related cash or forward transactions are required to be searchable, but need not be kept in a form and manner that allows for identification of a particular transaction."

However, we are still concerned about the disincentive that 1.35(a) poses for farmer cooperatives to be a member of a DCM, or potentially become a member of a DCM, and take advantage of such membership. Further, we do not believe the intent of the Dodd-Frank Act was to subject cash purchases and forward cash contracts to the additional new recordkeeping requirements under regulation 1.35(a).

Therefore, while we appreciate the Commission's willingness to address and further refine Regulation 1.35(a) in its recent proposal, we encourage the Commission to look at other avenues to address end-user concerns with Regulation 1.35(a). NCFC, along with a number of agricultural organizations, submitted comments after the April 3, 2014, Public Roundtable to Discuss Dodd-Frank End-User Issues, which outlined other alternatives. Those comments can be found on CFTC's website at:

<http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59815&SearchText=>

Again, we appreciate the Commission proposing amendments to Regulation 1.35(a), and the opportunity to provide comments.

Sincerely,



Charles F. Conner
President & CEO