



May 21, 2025

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

RE: Request for Comment on the Trading and Clearing of “Perpetual” Style Derivatives

Dear Mr. Kirkpatrick:

The National Council of Farmer Cooperatives (NCFC)¹ appreciates the opportunity to provide our views in response to the Commodity Futures Trading Commission’s (CFTC) request for comment on perpetual derivatives, particularly in the physical agricultural and energy markets.

NCFC members represent a broad section of the agriculture industry. Many NCFC members rely on the derivatives markets – both exchange-traded futures and options and over-the-counter products – to hedge the commercial risk inherent to agriculture production, processing, and marketing. These cooperatives use derivatives to manage their risk for the commodities they buy, supply, process or handle/merchandise, i.e. they have a physical interest in the underlying asset.

We have significant concerns about the introduction of perpetual derivatives in the agricultural and energy markets that our industry relies on for critical risk management and price discovery functions. Futures contracts are defined by a specific expiry and convergence with the physical market at a specific date. Perpetual derivatives do not follow this model and their introduction to the agricultural and energy markets could cause a structural imbalance of supply and demand over time. Further, there could be a reduction in price transparency and integrity, reducing the confidence that farmers and other market participants have that they are receiving a fair price for their commodities.

¹ Since 1929, NCFC has been the voice of America's farmer cooperatives. Farmer cooperatives—businesses owned, governed, and controlled by farmers and ranchers—are an important part of the success of America’s agricultural supply chain. Our members are regional and national farmer cooperatives, which are in turn comprised of nearly 1,700 local farmer cooperatives across the country. Our members provide agronomy and other technical expertise and services, supply nearly every agricultural input available, provide credit and related financial services, market a wide range of commodities, produce value-added products, and produce energy for our nation’s supply chain.

For storable commodities such as corn, soybeans, wheat, cotton, sugar, crude oil, heating oil, etc. physical delivery creates the best environment for convergence of futures prices to the cash market. This is essential as the delivery month of a futures contract approaches, the cash price and the futures price come together, and it is this convergence that makes hedging effective. For other commodities where physical delivery is not reasonably possible, such as feeder cattle, lean hogs, and the dairy complex, cash settlement to an officially reported price at a specific time forces convergence at that point in time.

In the agricultural markets, farmer cooperatives manage price and transportation risk for an entire year, or longer. For most storable commodity markets there is typically just one production cycle per year and the cooperative buys when the producer decides to sell, typically at harvest. The cooperative then stores the commodity until the end-user is ready to take delivery. For example, it is common to buy wheat from a farmer when it is harvested in July and then ship out 1/12th of that production every month as needed to the flour mills for processing.

In years of tight supply, it is common for the price in May to be higher than the “new crop” price in July, when more wheat will become available. This is an example of where the spot price is higher than the expected price will be when the new crop production is available to the market, creating an inverted price situation. When prices are inverted, there is an incentive to sell current supply at the higher price and replace it later when the newly produced supply is available. In years of large crops, it is very common for the post-harvest price in October to be lower than the futures price in the following March. The higher March price reflects an economic incentive for cooperatives to store grain until the end-user can utilize the commodity. This serves to ensure market efficiency. Without convergence of futures contracts to the physical markets, the process of using exchange traded futures and options to manage price and transportation risk would become less efficient.

We also have concerns of a bifurcated market where speculators trade in perpetual derivatives, while the physical industry uses a traditional delivery market, thus reducing the liquidity that is needed for effective hedging while creating significantly more price volatility.

We certainly appreciate all the work that CFTC has done in working with our industry over the years to protect and enhance our ability to use the derivative markets. As such, we ask that CFTC carefully consider the risks of introducing such derivatives that could impair the ability of farmer cooperatives and other commercial end-users to meet their traditional hedging needs in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Ch F Conner", written in a cursive style.

Charles F. Conner
President & CEO