

VIA FACSIMILE: 202-418-5533

October 4, 2010

The Honorable Gary Gensler  
Chairman  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, D.C. 20581

Dear Chairman Gensler:

We are writing on behalf of our nation's agricultural producers to ask that the Commodity Futures Trading Commission (CFTC) exempt Farm Credit System (FCS) institutions from a mandatory swaps clearing requirement under consideration at CFTC. We are concerned that the additional costs of these new requirements will inevitably be passed along to farmers and ranchers and their member-owned cooperatives at a time when our nation's agricultural producers cannot afford to absorb higher costs. We remind you that the FCS is structured as a cooperative and any additional costs associated with this new regulatory burden will inevitably be absorbed by the farmers, ranchers, and cooperatives who borrow from Farm Credit.

We believe such an exemption can and should be provided without compromising safety and soundness. FCS institutions are closely regulated by the Farm Credit Administration (FCA). The FCA has full oversight authority over and routinely examines interest rate swap activities conducted by the five banks of the FCS. These five FCS banks conduct interest rate swap activities required to support the lending operations of all FCS institutions. None of these five FCS banks presents a systemic risk to the U.S. financial system.

We stand with Rep. Tim Holden (D-Pa.), chairman of the House Agriculture's subcommittee with jurisdiction over the FCS, when he stated on June 30, 2010, that, "The Agriculture Committee insisted that the institutions of the Farm Credit System not be subject to a number of provisions of the legislation [Dodd-Frank]. They were not the cause of the problem, did not utilize TARP funds, and did not engage in abusive subprime lending." The law permits exemptions to be granted to certain financial institutions from these new requirements, including Farm Credit institutions. Rep. Collin Peterson (D-Minn.), chairman of the House Agriculture Committee, made clear on the House floor on June 30, 2010, that regulators were permitted to exempt Farm Credit banks and that the language was not limiting, "The (bill) language says that institutions to be considered for the exemption shall include those with \$10 billion or less in assets. It is not a firm standard. Some firms with larger assets could qualify, while some with smaller assets may not. The regulators will have maximum flexibility when looking at the risk portfolio of these institutions for consideration of an exemption."

We support Chairman Peterson's view on this important question and urge that you use the authority provided in the act to exempt FCS institutions from these new, mandatory swaps clearing requirements.

Sincerely,

American Farm Bureau Federation  
American Soybean Association  
American Sugar Alliance  
National Association of Wheat Growers  
National Barley Growers Association  
National Corn Growers Association  
National Council of Farmer Cooperatives  
National Farmers Union  
National Grain Sorghum Producers  
National Milk Producers Federation  
National Sunflower Association  
US Canola Association  
US Rice Producers Federation  
USA Dry Pea and Lentil Council  
USA Rice