



COMMENT

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"Improve the economic well-being of agriculture and enrich the quality of farm family life."

July 20, 2006

Eileen Donovan, Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

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U.S. DEPT. OF THE SECRETARIAT

Dear Ms. Donovan:

The Illinois Farm Bureau is a grassroots producer organization currently representing over 70,000 farm families in Illinois. As such, we represent the interests of the majority of the farmers in Illinois. Throughout our history, we have continued to encourage our farmer members to utilize the risk management and marketing tools offered through the various commodity exchanges.

At this time, we would like to provide commentary regarding the Commodity Futures Trading Commission's (CFTC) "Comprehensive Review of the Commitments of Traders Reporting Program" as outlined in the June 21, 2006 Federal Register.

We believe that the Commitments of Traders (COT) reports increase market transparency and help to reduce volatility during periods of excessive speculation. We certainly appreciate the CFTC's efforts in making the reports available more frequently and at no cost to the general public. We feel these reports provide necessary information to all market participants including farmers and need to be continued.

We also recognize the emergence of index funds as a new class of market participant and the rising importance of swaps. We, along with the CFTC, realize how the magnitude of trading volume these new market participants are responsible for has significantly altered the accuracy of the reporting information in the COT reports. This, in turn, poses serious challenges to traditional hedgers, producers, and other market participants in gauging market fundamentals.

While we are not opposed to index funds trading in agricultural markets, we do have several concerns with their classification and treatment within the COT reports. We understand how index funds engage a "swaps manager" or "swaps dealer" to invest in an index based on the returns in exchange-traded futures contracts and that this "swaps dealer" in turn hedges their risk



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by establishing a portfolio of long futures positions. We feel this does not constitute a traditional hedge and that index funds should not be granted hedge exemptions in agriculture commodity futures contracts. We agree with the traditional definition of a hedge as a “futures or option transaction or position that normally represents a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel.” Given the fact that the index funds have no involvement in the physical commodity or marketing channel, we feel it is inappropriate for them to be granted a hedge exemption.

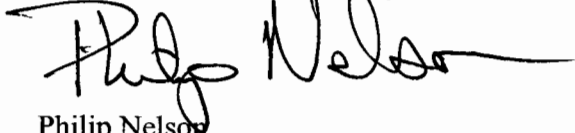
Furthermore, we feel it inappropriate to classify them as a “commercial” account in the COT reports. Classifying index fund activity as “commercial” in the COT report significantly reduces the accuracy of the report in providing much needed transparency to all market participants. This does not allow market participants, including farmers, from being able to distinguish between the futures market activity of traditional hedgers versus the new investment activity generated by the index funds.

We request that the reporting activity of index funds be separated from the trading activity of traditional “commercial” accounts, historically a category reserved for grain companies and processors hedging price and inventory risk, in future COT reports. Without this separation in reporting, we feel it limits the ability of producers and market professionals advising producers, to truly understand the underlying structure of the current marketplace, and thus, restricts their ability to accurately assess market conditions and to act accordingly.

We appreciate the opportunity to provide comments to the CFTC on this important matter. We strongly feel that by eliminating index funds’ hedge exemption and by reclassifying them as “non-traditional” commercial accounts in the COT reports, it will greatly enhance the accuracy of the reports and assist all market participants by providing necessary transparency of market participants and their aggregate positions.

Sincerely,

ILLINOIS FARM BUREAU®

A handwritten signature in black ink, appearing to read "Philip Nelson", with a long horizontal flourish extending to the right.

Philip Nelson
President

MDY