



NEWS

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NGSA Contact: Daphne Magnuson dmagnuson@ngsa.org 202-326-9314

NCGA Contact: Ken Colombini colombini@ncga.com 1-888-588-6242

Natural Gas and Corn Associations Support Legislation to Ensure Certain Physical Forward Contracts Are Not Designated "Swaps"

(Washington, D.C.) -- The Natural Gas Supply Association (NGSA), joined by the National Corn Growers Association (NCGA), have urged the House Agriculture Committee to adopt a legislative fix (H.R. 4267) during Commodity Futures Trade Commission reauthorization that would ensure that certain forward contracts for physical delivery of corn, natural gas or other commodities not be treated as swaps.

NGSA and NCGA wrote the House Agriculture Committee on Wednesday to urge that it adopt H.R. 4267, introduced by Rep. Vance McAllister, R-La., modifying the Commodity Exchange Act to ensure that forward contracts with volumetric flexibility are treated like other physical forward contracts. Because these physical forward contracts preserve a degree of flexibility in the final amount of the commodity to be delivered, they could be incorrectly classified as swaps under current ambiguous regulatory language.

Jenny Fordham, NGSA's vice president, markets, said, "Forward physical contracts with embedded optionality are used daily in our industries so that contracts can seamlessly adjust to fluctuations in production or consumption, changes in economic conditions and measurement tolerances. Embedding the ability to be flexible about volumes in the contracts allows them to be settled in an efficient, orderly fashion even when the precise amount of the volume to be delivered cannot be perfectly predicted in advance."

Sam Willett, NCGA's senior director of public policy, said, "Flexibility about delivered volumes is a critical tool used to address the uncertainty inherent in any physical commodity contract. Congressman McAllister's legislation remedies the current regulatory uncertainty surrounding use of volumetric flexibility in forward contracting and provides commodity producers and consumers with the regulatory confidence they need in order to make sound investment and risk management decisions."

A copy of the letter from NGSA and NCGA to House Agriculture Committee leadership is [here](#).

-NGSA and NCGA-

NGSA represents integrated and independent companies that supply natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers. For more information, please visit www.ngsa.org.

Founded in 1957, the National Corn Growers Association represents more than 40,000 dues-paying corn farmers nationwide and the interests of more than 300,000 growers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state associations and checkoff organizations work together to create and increase opportunities for their members and their industry.