

Campbell Soup Company 1 Campbell Place Camden, NJ 08103

VIA E-MAIL

August 15, 2008

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
director@fasb.org

LETTER OF COMMENT NO. 88

Re: File Reference No. 1590-100

Campbell Soup Company ("CSC") is pleased to submit its opinions on the exposure draft of the *Proposed Statement of Financial Accounting Standards, Accounting for Hedging Activities, an amendment of FASB Statement No. 133* (the "Exposure Draft"). Campbell Soup Company is a Fortune 500 company which uses certain derivatives to manage interest rate, foreign currency and commodity risk.

CSC supports the Financial Accounting Standard Board's (the "FASB") efforts to simplify the accounting for hedging activities and improve the associated financial reporting. CSC agrees with the changes being proposed to modify the effectiveness threshold and for ongoing effectiveness testing not being required unless circumstances suggest that the hedging relationship may no longer be reasonably effective. However, there are proposed amendments that CSC does not agree with as discussed below.

1. Elimination of the ability of an entity to designate individual risks as the hedged risks in a fair value or cash flow hedge (not hedged at inception for own debt).

CSC does not support the FASB's proposal to eliminate bifurcation by risk with respect to interest rate hedges. Current practice has enabled CSC to specify the interest rate risk we are hedging and use the most liquid financial derivatives to hedge this risk. The FASB's proposal, which will negatively affect the accounting for interest rate hedges other than for own debt hedged at issuance is overly restrictive and will result in CSC taking into earnings volatility from our credit spreads that were never intended to be hedged in the first place. In addition, if we experience any significant credit spread volatility, we might not be able to achieve hedge accounting at all for late hedges or hedges of future debt issuances. We do not believe that the FASB has stated a compelling argument why unhedged or unhedgeable risks in this area should prevent us from getting hedge accounting, or if we are able to show at least reasonable effectiveness, require us to record in earnings changes in fair value of the credit component of existing or future debt issuances that we are not hedging.

By moving away from the bifurcation by risk method, CSC believes it will possibly not be able to use a valuable risk management tool. For example, CSC has used forward starting swaps to hedge our interest rate risk with respect to future debt issuance and swaps to floating to hedge our fixed rate debt either at issuance or later in the life cycle of our exposure. Each time management was working to lock in a rate in a future period where budgets had been established. In each case, CSC was able to receive cash flow or fair value hedge accounting based on the fact that the bifurcated interest rate risk was the risk being hedged and the swap hedging it was highly effective in hedging changes in the underlying interest rate risk (primarily the LIBOR swap rate). The introduction of credit risk presents significant issues around achieving effectiveness, valuation of the perfect hypothetical derivative and P&L fluctuations as noted above.

Valuing our own credit spread will not be an easy task as there are limited observable market quotes for our credit and not necessarily in the size or tenor needed. Retrieving the information from third parties (such as banks) presents difficulties with regards to consistency and subjectivity.

The P&L volatility that will occur based on a credit spread risk that is difficult to calculate and apt to change (witness the credit markets volatility during the past year, which have less to do with our credit position than overall market concerns) would be enough to give us pause about using derivatives in situations which would require us to recognize changes in credit through earnings. The fact that we would have difficulty hedging our own credit spread makes it even more of an obstacle to what we believe is a sound risk management policy.

Finally, CSC does not believe the FASB has put forth a compelling rationale for the change it is contemplating to make in this area. For those companies that have been responsibly applying the bifurcation by risk approach for the past eight years, the change proposed would have significant negative consequences as well as increased costs.

2. Intercompany hedging and the "survival of consolidation" requirement

There appears to be some confusion around interpretations of the requirement for an intercompany charge to survive consolidation. This effects CSC primarily with regard to forecasted intercompany payables/receivables and royalties between entities with different functional currencies. In daily practice, CSC hedges forecasted intercompany transactions and their related intercompany payables between foreign entities with different functional currencies up to 12 months in advance of the forecasted transaction. These intercompany transactions have real economic impact on our subsidiaries and hedging the risk in order to minimize purchase price variances is an integral part of our risk management practice. In addition, the risk reflects the enterprise risk of selling in the entities local/functional currency and buying product in non-functional currency. It is not clear which transactions would achieve hedge accounting under the amended paragraph 40. If it is the FASB's intent to make these common intercompany forecasted transaction hedges NOT eligible for hedge accounting, we believe that this issue should be addressed

in a separate project where the issues could be better vetted given its significance to most multinational corporations. The change is effectively hidden in a paragraph without much background or commentary and thus we believe that many companies may overlook the significance of this change. As a result, the comments the FASB receives on the Exposure Draft may not contain sufficient commentary on this seemingly innocuous change.

3. Commodity hedge accounting remains virtually unchanged

CSC was disappointed that no changes were proposed to the current complex accounting for commodity exposures and related derivatives. Throughout the past year there have been substantial fluctuations within the commodity markets and commodity risk remains one of the greatest risks to our economic position; and yet commodity hedging under FAS 133 remains as complex and administratively burdensome as ever. Because there is no exception to bifurcate risks within the commodities arena, certain types of commodities often won't qualify for hedge accounting. Some examples from our own experience include: natural gas for our plants (due to significant basis changes, taxes and now credit quality) and the diesel surcharges on our freight out invoices (due to significant variables on freight such as highway lane charges and load capacity charges). These exposures currently do not receive any type of hedge accounting because the other variables cited must be considered when testing for effectiveness. CSC is left to mark-tomarket the changes in our futures contracts and options on these commodities directly to earnings as if they were speculative contracts, which they are not. Our entire purpose in hedging is to fix some of the variables in our costs. We would like to reflect the fixing of those costs in the period the hedged expenses are recognized in earnings.

We do not find it beneficial to be required to show that our hedges are ineffective with respect to elements we are not trying to hedge. Reporting ineffectiveness from unhedged elements confuses users of financial statements. Most will infer that our notionals or instruments are "ineffective". Only the most sophisticated, FAS133 conversant investor will gain the appropriate insight into basis risk.

Commodity hedging has become so administratively burdensome that many companies within the packaged food industry have even discontinued hedge accounting for their entire portfolios of commodity contracts. This causes large mark-to-market fluctuations within their earnings from quarter to quarter and makes their financials less comparable to companies that do not hedge or can achieve hedge accounting for only some exposures. Marking hedges to market forces shareholders to turn to the cash flow statement to understand the effectiveness of a hedge program.

CSC had hoped that the FASB would take this opportunity to make changes to the requirement to consider the total change in price when dealing with nonfinancial instruments. We understand that the FASB did not take up previous requests for these changes because it did not want to significantly amend Statement 133 at that time. That having been the rationale, CSC was hoping that any amendments would enable us to

hedge our commodity exposure (excluding basis risk) so that costs that we are able to hedge could achieve hedge accounting.

For example, the cost of Natural Gas to run our plants is a cost that we'd like to have some control over. By entering a futures contract to purchase Natural Gas we effectively mitigate an economic risk (the risk of input costs increasing quicker than we can increase the price of our products). Under the current hedging rules, we must use the actual cash flow due to the purchase of Natural Gas (which includes the cost of Gas, the cost to deliver the Gas, taxes and other charges) as our measure of effectiveness. This causes a futures or forward contract for Natural Gas to fall outside of hedge accounting, leading to mark-to-market gains/losses in our P&L for any open contracts that relate to future purchases. If bifurcation were allowed, a commodity like Natural Gas (and others) would qualify for hedge accounting. By qualifying we would be able to defer any gains/losses in the equity section of our balance sheet until the actual income statement effect of the Natural Gas purchase occurs. This would create a better match between the gains/losses on the income statement and decrease artificial, accounting-caused earnings volatility while still tracking (and fully disclosing) commodity positions on the balance sheet.

We believe that hedging bifurcated risks would both decrease the complexity of hedge accounting in this area and make financial disclosures more consistent across companies and therefore easier to understand. While we understand that your goal in reducing the effectiveness hurdle from "highly effective" to "reasonably effective" was an attempt to deal with this issue, we do not believe it provides sufficient relief and coupled with the requirement to recognize ineffectiveness between the actual derivative and the perfect hypothetical, income statement volatility will be further exacerbated for unhedgeable risks.

Thank you for giving Campbell Soup Company the opportunity to express our comments. We hope they will be helpful and would be pleased to further discuss, at your convenience.

Michael Kelly

Sincerely

Treasury Accounting Supervisor

Campbell Soup Company

(856) 968-5893

cc: Ashok Madhavan, Assistant Treasurer (856) 342-3970