



Galen G. Johnson  
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August 14, 2008

LETTER OF COMMENT NO. 25

Technical Director  
Financial Accounting Standards Board  
401 Merrit 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: Proposed Statement of Financial Accounting Standards, "*Accounting for Hedging Activities, an amendment of FASB Statement No. 133*" (File Reference No. 1590-100)

Dear Technical Director:

Cargill, Inc. appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board's ("FASB") Exposure Draft of Proposed Statement of Financial Accounting Standards, "*Accounting for Hedging Activities, an amendment of FASB Statement No. 133*" (the "Exposure Draft").

Although we support the FASB's desire to simplify the accounting for hedging activities, resolve certain practice issues, and improve the financial reporting of hedging activities for users of financial statements, we do not believe that the Exposure Draft in its current form meets those objectives. We are concerned that certain of the proposed amendments will result in significant increased complexity, less flexibility in managing risks, increased costs, and less meaningful financial reporting. In addition, with the continued emphasis on convergence with International Financial Reporting Standards ("IFRS"), we do not believe that a significant change to hedge accounting is appropriate at this time.

As a multi-national private company operating in more than 60 countries with worldwide revenue in excess of \$100 billion, we require access to debt in various markets and forms throughout the world. As a result, we have exposure to interest rate risk, as well as foreign currency risk associated with our debt portfolio. As such, we manage our interest rate risk and periodically enter into common and straightforward derivative transactions that are effective at managing that risk. Those same derivative transactions are not designed to hedge credit risk, and similar to the reasons noted in the Alternative Views section of the Exposure Draft we would not likely attempt to hedge our own credit risk. In addition, our risk management activities need to be responsive to a variety of factors in the marketplace and must be dynamic enough so that derivatives can be entered into at various times other than only at the inception of debt issuance.

Therefore, if the Board continues with the removal of the "bifurcation-by-risk" approach, we believe that the exception to allow designation of only interest rate risk for an entity's own debt should be made available throughout the life of the debt instrument as well as at inception. Otherwise, for



interest rate derivatives not established at the inception of the debt issuance we believe that the inclusion of the overall changes in the fair value of the hedged debt would likely introduce inappropriate ineffectiveness and earnings volatility related to a company's own credit risk and other factors which would be counterintuitive. We believe that the proposed model is not consistent with how our company and others manage such risks and would not present the true effectiveness of our risk management activities. The new hedge accounting model is also dependent upon a number of unobservable inputs, and at a minimum would require significant subjective judgment.

The implementation and on-going compliance with the Exposure Draft would require significant changes to our systems and processes and would be costly and time consuming. Subsequent changes which may be required as part of convergence with IFRS could result in further efforts in the near future.

Disclosure requirements included within FASB Statement No 161, "Disclosures about Derivative Instruments and Hedging Activities" provides sufficient information regarding the location of derivatives and the related gains and losses and that no additional presentation requirements on an on-going basis or at the time of transition are required.

Although still complex, our view is that the majority of the critical practice issues and interpretations of hedge accounting have been resolved over the past several years and there is sufficient guidance for the existing standards. Significant new amendments and an overhaul of the hedge accounting activities as proposed would likely result in numerous implementation questions and require new interpretations. Therefore, we recommend either retaining a bifurcation-by-risk approach or delaying the current project until such time as the Board can pursue a joint initiative with the International Accounting Standards Board to develop a hedging model that will apply under both U.S. GAAP and IFRS.

We appreciate the opportunity to provide our comments in response to the Exposure Draft and thank the Board for its considerations of our recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Galen Johnson".

Galen Johnson  
Cargill, Inc. and Subsidiaries  
Corporate Vice President and Controller

GGJ:djh