



## National Milk Producers Federation

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*"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"*

January 26, 2012

Senator Stabenow  
Chairwoman, Senate Agriculture Committee  
133 Hart Senate Office Building  
Washington, D.C., 20510

Chairwoman Stabenow,

We thank you for seeking the National Milk Producers Federation's (NMPF) input on the MF Global collapse. We offer several comments in response to your letter.

Dairy farmers and dairy processors need risk management choices; but their confidence in the regulated futures and options markets has been shaken by MF Global's collapse. Some dairy farmers were commodity customers of MF Global; a substantial part of their segregated cash accounts, including their mandatory margin deposits, were improperly taken by their broker. This is unprecedented. Most of these customers are still waiting for the return of 28% of this money. Others in the dairy industry now have justifiable doubts about engaging in regulated risk management.

NMPF agrees with CFTC that Federal statute gives MF Global's commodity customers first claim on the estate. The broker's violation of segregation should not change this claim. We appreciate any support from the Chairwoman on this stance.

Going forward, NMPF urges greater accountability and more severe penalties to go along with CFTC's newly tightened rules. If the cash associated with commodity futures and options accounts is supposed to be segregated and inviolable, then the penalties for violating those accounts must adequately deter the brokers. It appears that MF Global believed the penalties for violating customer accounts would be easier to deal with than their short term cash flow problems. There should never again be a doubt about this: violating these segregated accounts should be treated like the crime that it is, so that farmers and their customers need not fear risk management more than risk itself.

Sincerely,

Jerry Kozak  
President and CEO  
National Milk Producers Federation

Jerry Kozak, President/Chief Executive Officer

Randy Mooney, Chairman

Agri-Mark, Inc.  
Arkansas Dairy Cooperative Association  
Associated Milk Producers Inc.  
Continental Dairy Products, Inc.  
Cooperative Milk Producers Association  
Dairy Farmers of America, Inc.  
Dairyalea Cooperative Inc.  
Dairymen's Marketing Cooperative, Inc.  
Ellsworth Cooperative Creamery  
Farmers Cooperative Creamery  
First District Association  
Foremost Farms USA  
Just Jersey Cooperative, Inc.  
Land O'Lakes, Inc.  
Lone Star Milk Producers  
Manitowoc Milk Producers Cooperative  
Maryland & Virginia Milk Producers Cooperative Association  
Michigan Milk Producers Association  
Mid-West Dairymen's Company  
Northwest Dairy Association  
Prairie Farms Dairy, Inc.  
Premier Milk Inc.  
St. Albans Cooperative Creamery, Inc.  
Scioto County Cooperative Milk Producers' Association  
Select Milk Producers  
Southeast Milk, Inc.  
Swiss Valley Farms Company  
Tillamook County Creamery Association  
United Dairymen of Arizona  
Upstate Niagara Cooperative, Inc.  
Zia Milk Producers, Inc.