



web: [www.uscattlemen.org](http://www.uscattlemen.org) ~ email: [usca@uscattlemen.org](mailto:usca@uscattlemen.org)  
2414 I St. NW Washington, D.C. 20037 – (202)870-3867

April 30, 2013

The Honorable Debbie Stabenow  
Chairwoman  
Committee on Agriculture, Nutrition &  
Forestry  
U.S. Senate  
Washington, DC 20510

The Honorable Thad Cochran  
Ranking Member  
Committee on Agriculture, Nutrition &  
Forestry  
U.S. Senate  
Washington, DC 20510

**Re: Comments Submitted to the United States Senate Committee on Agriculture, Nutrition and Forestry regarding public input for CFTC Reauthorization**

The United State Cattlemen's Association (USCA) would like to thank you for the opportunity to comment on the matter of reauthorization of the Commodity Futures Trading Commission (CFTC). Our membership represents agricultural producers involved in the production of crops and livestock. Managing risk has become a key part of determining the financial success of our operations and we have a great interest and personal investment in improving the integrity of the futures markets. Recent failures of MF Global and Peregrine Financial have caused great hardship to market participants in ways that should not even be possible. We hope you are able to convey to the CFTC the need to "get their house in order."

Specifically, we suggest discussion be focused on the causes of the oversight failures involved in the recent collapse of the above mentioned commodity firms and what is being done to ensure such lapses in oversight are not repeated. Secondly, it is vital that the solutions to the oversight failures not place any undue hardship onto the market participants. The remedies to ensure such collapses within the commodity market do not occur in the future should not increase costs of operation to market participants. Lastly, consideration must be given to increasing the authority of the CFTC in ways similar to the Securities Exchange Commission (SEC).

The U.S. Cattlemen's Association believes the CFTC owes the Committee, and those that have been affected by these events, a candid explanation about the causes of oversight failure and means by which the commission is working to ensure such lapses are not repeated.

The fraud surrounding the Peregrine collapse is reported to have begun in the mid 1990's; for this to have occurred undetected over a period of multiple decades, points to procedural incompetency that no amount of additional money can fix. USCA has received multiple inquiries from our membership asking the question: Who is being held accountable at the CFTC for the Peregrine failure? In terms of both cases, no one has yet been held accountable from MF Global and only one person in association with Peregrine has been indicated.

The scale at which these events have occurred suggests that multiple individuals in both organizations had to be aware of and therefore negligent in their duties for such vast sums of

funds to simply disappear. It must be asked that if no one is held accountable, if not for fraud then at the very least for a breach of responsibility, where is the deterrent for the rest of the industry? If integrity in the markets is to be restored we must have individuals within this sector aware that there will be personal consequences when anyone from the CEO to the finance department allows events such as these that are outside the legal realm of procedure to occur.

The root of these corporations' failures must first be understood when examining this issue. Participant margin defaults are not the cause and as such any solutions reached on this issue should not involve increased cost, especially related to margin requirements, for the market participants who were not at fault. In addition to potential increased operating costs, proposed margin increases or shorter time frames in which one must meet such stated requirements will also cause an increase to the funds at risk for the market participants.

The producers represented by USCA differ from speculators in that margin funds represent operating capital, often borrowed, instead of funds invested for known risk of loss. Why is there not total segregation of those funds from the commodity firm's? Some have suggested insurance as a remedy. Again, we are hesitant to add cost to the industry. These accounts differ from bank accounts which are known to be used by the bank to lend, and therefore at risk of default, thus potentially taking down the bank if not managed right. If margin accounts are completely segregated and effective oversight is taking place, there should be no risk of loss to those accounts held by our producers.

Finally, we encourage the Committee to facilitate a discussion focused on the potential merits of increasing the authority of the CFTC to be similar in its ability to provide oversight as the SEC is in the equity markets. Consideration must also be given to the adequacy of the CFTC to levy fines; the deterrent force in these markets must be strong.

We ask that the Committee allocates the time necessary to ensure a robust discussion with the CFTC takes place and is one that addresses the issues outlined above. Commodity markets are crucial to the efficient operation of our entire food production system. The industry must have confidence restored in the oversight and control of this marketplace. Thank you for your consideration; please do not hesitate to contact Allan Sents, USCA Committee Chair on Marketing and Competition at (785) 546-2216, if you are in need of additional information or clarification on this issue.

Sincerely,



Allan Sents  
USCA Board of Director, Committee Chair on Marketing and Competition