

**THE TESTIMONY OF
CLINTON J. (CJ) BLEW
TO THE
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
U.S. SENATE
December 13, 2011**

Good morning, Chairwoman Stabenow, Ranking Member Roberts, and members of the committee. My name is CJ Blew. My family and I operate a diversified crop and cow-calf operation in south central Kansas. Since 2005 I have served as a director for my local co-op, Mid Kansas Cooperative Association (MKC) located in Moundridge, Kansas, and currently serve as its chairman.

MKC is a full-service farm cooperative offering a full line of supplies and services for both farm and urban customers in 11 counties throughout central Kansas. Our current membership is more than 4,800 members. MKC's grain division is operated by Team Marketing Alliance (TMA), a LLC wholly owned by four central Kansas cooperatives operating 48 country elevators, totaling 38 million bushels of elevator space.

I also serve on the board of directors for CHS Inc., the nation's leading cooperative. CHS is an energy, grains and foods cooperative owned by approximately 55,000 individual farmers and ranchers and about 1,000 local cooperatives.

Thank you for the opportunity today to provide not only my personal perspective, but also the perspective of MKC on the MF Global bankruptcy and the effect it has had on agribusiness and production agriculture.

I consider myself fortunate – unlike other fellow producers and ranchers – since I do not personally have assets tied up in the MF Global bankruptcy. However, I am impacted as an individual farmer because I rely upon my local cooperative to manage my risk by forward pricing grain, and my cooperative is impacted by MF Global's bankruptcy.

The MF Global bankruptcy has sent a shockwave throughout the industry. We have long believed that risk to segregated customer funds held by members of the clearinghouse was non-existent. We now realize that was not true. The attorney for the trustee in the bankruptcy case, just last week during the House Ag Committee Hearing on MF Global, also confirmed this in his reference that 100% of these funds need to be returned as promptly as permitted by governing regulations.

Immediately following MF Global's bankruptcy filing, MKC and its respective grain marketing arm, Team Marketing Alliance, struggled with lack of access to futures positions, and had no access to the funds in our accounts. Additionally, our accounts were transferred to a new futures commission merchant (FCM), and we have spent countless hours trying to understand how and why various adjustments to account balances took place.

My cooperative continues to deal with the aftermath of this situation. At the time of the MF Global bankruptcy filing, my cooperative had a significant amount of assets in segregated accounts tied up with MF Global. While we now have access to positions in our hedge accounts, only 36 percent of the initial margin funds needed for the transferred positions have been transferred to the new accounts. We applaud the SIPA trustee's proposal for an additional distribution of funds and property that would bring the value of our distributions to about two-thirds of the original account values.

However, for MKC, there is still a significant amount (64%) of margin funds and excess cash not yet received. This needs to be priority number one for the trustee and bankruptcy court. Again, segregated funds should not be part of the bankruptcy.

I am here today to ask the committee, regulators, exchanges and trustee to make the return of customer funds and property a top priority. Customer funds were to be segregated and not used for other purposes. The confidence in the system has been compromised and it is imperative that we restore the integrity of the system.

The ability for thousands of businesses like MKC and CHS to hedge risk on an exchange offers producers a wide range of cash forward contracts that help optimize farm income. MKC's business model has been one that helps producers manage their risks. This includes grain marketing. Hedging and forward-contracting is an integral part of that.

A key to providing any type of hedging and forward contracting is the ability to finance it. We are fortunate to have a strong relationship with our lender. Although we have a very strong lender relationship, the MF Global bankruptcy has impacted our ability to borrow funds. For example, it has impacted our borrowing base since the missing funds cannot be used as collateral. This could potentially become a bigger issue as the need for financing grain in the future increases.

Looking ahead, it will be very important to re-establish confidence in the futures markets and the safety of segregated customer funds and property. As part of the process, we must ensure the sanctity of customer segregated funds. This should include the treatment of missing funds in the bankruptcy, and those funds should have exclusive rights above the bankruptcy. This process must be a priority and expedited to make all segregated account holders whole.

In conclusion, I would ask that this situation be resolved as quickly as possible, and that MKC's assets and those of other segregated account holders affected by MF Global's bankruptcy be returned immediately. I would also ask that you ensure this situation never occurs again.

Again, thank you for the opportunity to share my views today. This concludes my prepared remarks. I would be happy to respond to any questions.