It is an honor to be here today. I want to thank Madam Chairwoman Stabenow, ranking member Senator Roberts, and other honorable senators of the committee for inviting me, and I especially want to thank my home state Senator Klobuchar for her continued support and help.

My name is Dean Tofteland. I am a farmer from southwest Minnesota. My wife and I raise corn, soybean, and pigs on our farm as well as four kids 8 to 15 years old. I have been a farmer for about 25 years. Throughout those years, I have used the futures markets to transfer risk from my farm to the Chicago Board of Trade by selling futures contracts. These transactions have enabled me and other farmers to lock in a selling price that could enable a potential profit on our farm.

My testimony today will be brief. I will first describe how the MF Global bankruptcy has impacted my bottom line and more importantly how this has influenced my confidence in these markets.

In October, following my harvest, I locked in prices on the Commodity Mercantile Exchange for my fall 2011 production. I did this by entering into an agreement where I promise to sell a set number of bushels at an agreed price that provided a margin of profit. To execute these hedges, I was required to post margin to an escrow account held at JP Morgan Chase. These funds were not an investment in MF Global. These funds were not a loan to MF Global. These funds were collateral required by the exchange as a guarantee for my promise to deliver the bushels that I had priced.

On Friday, October 28th I heard news that MF Global may be having some problems. I immediately called my introducing broker. She told me that since my funds were in "customer segregated accounts," they were not a part of MF Global, and therefore would not be affected. I was told that "no customer has ever lost a penny in customer segregated accounts." At this time, I was not aware that the company was mailing bad checks to customers.

On Monday October 31st, I read that MF Global had filed for Chapter 11, and later, that customer funds were missing. The accounts had been frozen and I was unable to adjust my short positions. The hedge account at this time contained a value of $253,000. This account was collateral for my operating loan with my bank.

Later, my positions were transferred to a new broker with only 15% of the required collateral. I was then informed that I needed to re-margin the hedges within 24 hours, even though I had more than three times the margin required in the MF Global account. As a result of this, I was forced to liquidate these hedges. Since that time, prices have dropped significantly, resulting in well over an additional $100,000 in lost equity.

On the morning of November 9th, I sat through a USDA Crop Production and Supply and Demand Report. This was one of the biggest crop reports of the year and being unable to adjust positions created a great deal of stress.

I have not used the futures market since.

Producers commonly purchase seed and fertilizer and pay cash rents months before the crops are planted. The use of these markets is imperative to reduce risk, but we must also have the confidence to do so. I have so far postponed my purchase of seed for 2012 because of this uncertainty.

As you know, this impact has been felt far across this country. Just in my backyard, feed companies like Mouw's Feed and Grain, who make livestock feed for farmers, and well as many livestock producers are looking for answers. Mark Greenwood from AGstar says he has over 100 of his clients trying to get their money back.

Business failures are nothing new. They happen every day on Main Street. The difference in this case is the missing money. We all know if our personal bank account is one penny overdrawn, the bank knows about it. These assets were in real banks. And in real banks, for every debit there is also a credit. I think these banks can provide some answers. What they call “unlawful comingling” on Wall Street is called “stealing” back on Main Street.

In my belief, we need to take a hard look at several areas of concern.

First we need to review and standardize practices at the accounting and audit firms. The problem is their services are paid for by the firm under the audit. This creates a conflict of interest on some cases.

Second we need some type of review of the rating agencies. They have a poor track record. The public depends on these agencies and they are consistently late in the game with their ratings. And we need to question whether the inside information they may provide is used to manipulate and force an insolvency?

Third, we may need more industry sponsored funding for the CFTC and SEC so they can enforce and accomplish thorough due diligence. In addition, the employees should be required to take a “no conflict of interest” test. And if there is any conflict of interest, the employee should resign not recuse.

Lastly, we need to look into banking practices and how any firm can access credit for 37 to 1 leverage. I know on Main Street we can only borrow 40 cents on the dollar. Why would a bank or creditor borrow 37 times leverage and expect not to lose? If there is an unsecured creditor or banker that made the bet on anyone with 37 times leverage they should be at the bottom of the recovery process especially if they have sequestered customer cash for their own use.

I know many of you have played the game of Monopoly. You all know how it ends, one or two players end up with all the money. Usually, there are two different endings to this game. One is where the losers walk away even as the winners try to convince them to stay and play some more, and second, someone eventually gets mad and tips the table over. And you all know who has to clean up the mess.

I want to thank each of you for inviting me. I encourage you to continue your hard work. I believe that in the end, we will get the answers we need and it will make for a more efficient and confident market place where the customer money is safe.

Thank you.