

COMMODITY MARKETS OVERSIGHT COALITION

June 3, 2009

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232 Capitol Building
Washington, DC 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
H-204 Capitol Building
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 Capitol Building
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230 Capitol Building
Washington, DC 20510

Dear Congressional Leaders:

Members of this coalition remain concerned that inadequate oversight of the commodities markets and excessive speculation will continue to erode public confidence in the ability of these markets to establish fair prices for energy, agricultural products and other commodities that are reflective of market fundamentals. **We urge Congress to act decisively to bring full transparency to all trading environments and platforms, to prevent excessive speculation, and to close the door to potential manipulation.**

2008 saw the most dramatic rise in commodities prices in history, resulting in inflated costs for energy and consumer goods in the United States. Internationally, millions of people were suddenly unable to feed themselves due to rising food commodity costs. Congressional hearings and reports revealed that inadequate or non-existent oversight of off-shore and over-the-counter (OTC) markets, ineffective oversight of on-exchange participants and activity, and an under-funded and under-staffed Commodity Futures Trading Commission (CFTC) had opened-the-door to excessive speculation and opaque trading activity. Additionally, members of this coalition voiced growing concern that passively-managed index funds, exchange-traded funds and actively traded hedge funds, swaps and derivatives were turning our commodity markets into a highly volatile “asset class.”

We again urge the Congress to pass strong new legislation to restore our confidence in these markets as a risk management and price discovery tool for *bona-fide* commercial players.

Congress has taken some positive steps in the right direction, including last year’s CFTC Reauthorization Act, which returns to the CFTC some authority over exempt commercial markets it had lost under the “Enron Loophole” in 2000. Appropriators have steadily increased CFTC funding levels in recent years to allow for much-needed staff, resources, and technology investments and we commend the President’s FY2010 budget request of \$161 million. We commend the Senate for swift consideration of CFTC nominees, including the recently-confirmed Chairman Gary Gensler. We are also pleased that on May 13, 2009, President Obama announced his support for full transparency, accountability and oversight in the OTC markets.

But absent strong and sweeping reform, we will continue to witness extreme price volatility and excessive speculation. Trading will continue to grow in “dark” or unregulated markets and investment speculators will continue to elude federal oversight, data reporting requirements and position limits. Families, businesses, farmers and laborers at home and abroad will continue to “pay the price” in many ways, including volatile and unpredictable energy, food and raw materials prices; impeding economic growth, development, investment, and job creation.

Therefore, we urge Congress to work swiftly and approve legislation that will:

- **Address market activity for *all* commodities**, including energy, agriculture, livestock and metals;
- **Fully close the “Enron Loophole”** by requiring that large over-the-counter trades comply with data reporting requirements and are made subject to speculative position limits;
- **Close the so-called “Foreign Markets Loophole” or “London Loophole”** by requiring the presence of foreign regulators with comparable oversight in order for an off-shore exchange to obtain regulatory exemptions (i.e., no-action letters);
- **Close the “Swaps Loophole”** by limiting hedging exemptions to *bona-fide* commercial participants and requiring that swap traders, index funds and institutional investors comply with all CFTC speculation limits and data reporting requirements;
- **Limit exchange traded fund** investments in physical commodities and their derivatives;
- **Require across-the-board aggregate speculation limits** to prevent traders from taking a controlling position in a commodity by taking large positions on multiple platforms;
- **Require the CFTC to review all current regulatory exemptions** and require Commissioners to withdraw them as appropriate or in accordance with existing or new authorities granted by Congress;
- **Require a thorough review of all new and existing rules and regulations** designed to protect market users and the public from fraud, manipulation and excessive speculation, including position limits, margin requirements, data reporting requirements, and public availability of data; and
- **Require a thorough review of emerging environmental markets**, emissions trading and related Wall Street products and instruments, including derivatives, index funds and exchange traded funds.

The ability to determine a fair price for commodities based on market fundamentals is vital to the success of recent efforts to address energy security, climate change, and the needs of the poor, low income and unemployed. It is essential to the welfare of farmers, truckers, laborers and small businesses, to new job growth and to the overall recovery of an economy that has been wounded by insufficient transparency and oversight of the financial services industry.

In recent weeks, energy commodities including natural gas, crude oil and refined petroleum products have been trading substantially higher despite record inventories and low demand. Internationally, some predict a tight food commodity market in the year ahead. According to a recent Barclays Capital survey, 79 percent of investors plan to increase holdings in these markets. Congress must do its part to help prevent another speculator-driven run-up in energy, agriculture, and other vital commodities.

In both chambers of Congress, several bills have been introduced to address the issues discussed in this letter. It is our hope that members can work out their differences and, working with members of this coalition, move forward to pass strong and comprehensive legislation, put an end to excessive speculation and “dark market” trading, and restore confidence in our commodity markets.

Thank you for your consideration.

Sincerely,

Agricultural Missions, Inc.
Agricultural Retailers Association
Air Transport Association
American Association of Crop Insurers
American Cotton Exporters Association
American Cotton Shippers Association
American Public Gas Association
American Trucking Associations
Arkansas Oil Marketers Association
Atlantic Cotton Association
California Black Farmers and Agriculturalists Association
Caney Fork Headwaters Association
Colorado Wyoming Petroleum Marketers Association
Columban Center for Advocacy and Outreach
Congregation of Holy Cross
Consumer Federation of America
Consumer Watchdog
Cumberland Countians for Peace & Justice
Family Farm Defenders
Florida Petroleum Marketers and Convenience Store Association
Food & Water Watch
Friends of the Earth US
Fuel Merchants Association of New Jersey
Gasoline & Automotive Service Dealer's of America
Grassroots International
Holy Cross International Justice Office
Illinois Association of Convenience Stores
Illinois Petroleum Marketers Association
Industrial Energy Consumers of America
Independent Oil Marketers Association of New England
Institute for Agriculture and Trade Policy
Justice and Witness Ministries, United Church of Christ
Louisiana Oil Marketers & Convenience Store Assn.
Maine Oil Dealers Association
Maryknoll Office for Global Concerns
Massachusetts Oilheat Council
Mid-Atlantic Petroleum Distributors Association
Missionary Society of St. Columban

Montana Petroleum Marketers Association
National Association of Convenience Stores
National Association of Oil Heat Service Managers
National Association of Truck Stop Operators
National Catholic Rural Life Conference
National Family Farm Coalition
National Farmers Union
National Latino Farmers & Ranchers Trade Association
Nebraska Petroleum Marketers & Convenience Store Association
Network for Environmental & Economic Responsibility, United Church of Christ
New England Fuel Institute
New Jersey Citizen Action Oil Group
New Mexico Petroleum Marketers Association
New Rules for Global Finance
New York Oil Heating Association
Ohio Petroleum Marketers & Convenience Store Association
Oil Heat Council of New Hampshire
Oil Heat Institute of Long Island
Oil Heat Institute of Rhode Island
Petroleum Marketers Association of America
Petroleum and Convenience Marketers of Alabama
Petroleum Marketers and Convenience Store Association of Kansas
Petroleum Marketers and Convenience Stores of Iowa
Platform ABC (Earth, Farmer, Consumer), Netherlands
Public Citizen
Quixote Center
Ranchers-Cattlemen Legal Action Fund / R-CALF USA
Rural Coalition/Coalición Rural
Sisters of the Holy Cross Congregation Justice Committee
Sisters of Notre Dame de Namur Justice and Peace Network
Society of Independent Gasoline Marketers of America
Southern Cotton Association
Texas Cotton Association
United Egg Association
United Egg Producers
Utah Petroleum Marketers and Retailers Association
Vermont Fuel Dealers Association
West Virginia Oil Marketers and Grocers Association
Western Cotton Shippers Association
Western Peanut Growers Association
Wisconsin Crop Production Association
World Cotton Exporters Association

cc: All members of the United States House of Representatives and the United States Senate
The Honorable Gary Gensler, Chairman, Commodity Futures Trading Commission
The Honorable Michael Dunn, Commissioner, Commodity Futures Trading Commission
The Honorable Walter Lukken, Commissioner, Commodity Futures Trading Commission
The Honorable Jill E. Sommers, Commissioner, Commodity Futures Trading Commission
The Honorable Bart Chilton, Commissioner, Commodity Futures Trading Commission