

COMMODITY MARKETS OVERSIGHT COALITION

June 23, 2009

The Honorable Collin Peterson
United States House of Representatives
Chairman, House Agriculture Committee
Washington, DC 20515

Dear Chairman Peterson:

The Commodity Markets Oversight Coalition (CMOC) commends you for your strong leadership in working to prevent the damage caused by excessive speculation in the commodity futures marketplace, and for introducing and passing through your committee the Derivatives Markets Transparency and Accountability Act of 2009 (H.R. 977). This legislation would make several very positive changes to commodities oversight laws, including requiring the clearing of all standardized futures contracts and those traded over-the-counter, greatly strengthening traders' and exchanges' record keeping and reporting requirements, and closing many of the loopholes that undermine the price discovery functions of the futures markets. As you know, the CMOC believes that, with the addition of a provision in your bill that would require the Commodity Futures Trading Commission (CFTC) to impose aggregate speculative position limits on traders across all markets, your legislation is exactly what is needed to address the glaring shortcomings in our nation's commodity futures regulation framework.

Unfortunately, it has become clear that without immediate congressional action, we may be on the verge of another speculative price bubble in oil. In the past 15 months, the price of a barrel of crude oil has gone from \$57 dollars in March 2008 to more than \$147 dollars in July, and then back down to less than \$32 in December 2008. Oil is now climbing again and closed at more than \$72 in mid-June. This, despite the fact that the world economy remains sluggish, unemployment continues to increase, demand for oil is at a ten year low, U.S. oil inventories are near a 19-year high, and the value of the dollar has been essentially flat over the past three months.

The fundamentals of supply and demand, while certainly influencing the price of commodities, do not come close to explaining this destructive volatility in the oil markets. Clearly, it is largely the result of excessive speculation – a torrent of speculative dollars rushing into the commodity markets and again driving up prices. Unfortunately, nothing will more quickly destroy our fledgling economic recovery – and negate the benefit of the billions of federal dollars Congress has spent to stimulate the economy – than another devastating oil bubble like the one we experienced last year. Such a development would choke the entire economy and place particular burdens on energy-intensive core industries like agriculture, manufacturing, and transportation.

For these reasons, we urge you to amend H.R. 977 to include language imposing aggregate position limits and then work with Speaker Pelosi and your colleagues in the House of Representatives to bring that legislation to the floor as quickly as possible. Sending your bill to the Senate is the best way to spur action in that chamber and secure the creation of a strong and much-needed new regulatory framework.

If it is not possible to move the entire bill quickly, we urge you to consider moving the commodity futures portion of the bill apart from H.R. 977. Because the commodities portion of your bill will so directly impact gas and food prices, the urgency of futures market reform is even more immediate. Consumers should not suffer the consequences of unnecessary high food and gas prices again.

Congress can prevent another oil bubble and the consequent damages to consumers and the economy by moving on a slightly modified version of your commodities legislation now. If Congress acts quickly, the simple realization that significant changes are on the horizon is likely to deflate this emerging oil price bubble and give the CFTC the time it needs to implement the provisions of your bill in a way that protects all producers and users of commodities.

Thank you again for your leadership and for your consideration of this request. We stand ready to continue to assist you in this important effort.

Sincerely,

Air Carrier Association of America
Airline Pilots Association
Agricultural Retailers Association
Air Transport Association
Consumer Watchdog
Gasoline & Automotive Service Dealers of America
Independent Oil Marketers Association of New England
National Farmers Union
New England Fuel Institute
Petroleum Marketers Association of America
Public Citizen
United Egg Association
United Egg Producers
Western Peanut Growers Association

cc: The Honorable Nancy Pelosi, Speaker
The Honorable Steny Hoyer, Majority Leader
The Honorable James Clyburn, Majority Whip
The Honorable John Larson, Democratic Caucus Chair