

COMMODITY MARKETS OVERSIGHT COALITION

An Alliance of Derivatives End-Users & Reform Advocates

Contact: Jim Collura
Tel: 202.584.0160
Cell: 202.441.8857
Email: jimcollura@nefi.com

FOR IMMEDIATE RELEASE

COMMODITY HEDGERS, END-USERS URGE LIMITS ON SPECULATION

Broad Coalition tells CFTC to Move Forward with Proposed Rule

WASHINGTON DC, Wednesday, December 22, 2010 – An alliance of trade groups, businesses, faith-based organizations and consumer advocates is urging the Commodity Futures Trading Commission to move forward with proposed limits on speculation.

The coalition also supports a proposal that would strengthen the Commission's market surveillance regime and give Commissioners discretion to act immediately to reduce large, controlling positions in a given commodity.

"While speculation is important to provide these markets with liquidity, excessive speculation distorts markets and harms hedgers and consumers," said Sean Cota, a coalition member and President of Cota & Cota, a home heating company in northern New England.

Cota, who relies on markets to hedge the cost of home heating oil and other products, says commodity markets have become more volatile and dislocated from supply and demand.

"Speculators now outnumber hedgers by 4 to 1, the opposite of where we were ten years ago," he said. "When massive speculative money pours in, including from index funds, commodity prices surge."

Coalition members have long argued that commodity markets were established to serve not speculators but hedgers, who rely on these markets to discover prices for key commodities such as energy and wheat, and to hedge against price risks associated with their businesses. "Speculation is a means to *that* end, not the end in and of itself," Cota said.

In a Congressional hearing last week, the coalition called the proposal an important first step, and said it would provide the CFTC with suggestions during the comment period on how the rule might be improved and implemented to better protect hedgers and consumers.

The statement comes as prices for energy and food-related commodities surge to levels not seen since the bubble in 2008, and as the CFTC considers rules to limit speculation as required by Congress under the recently-enacted Dodd-Frank Wall Street Reform and Consumer Protection Act.

Current federal law requires the Commission to establish speculation limits for energy and metals by January 17, 2011 and for agricultural commodities by April 17, 2011. The law requires the Commission to establish limits to prevent excessive speculation as an "undue burden on interstate commerce" and to prevent "sudden or unreasonable fluctuations or unwarranted changes in the price" of commodities.

The Commodity Markets Oversight Coalition is an alliance of commodity-dependent business interests, faith-based and consumer advocates. The coalition advocates in favor of government policies that promote stability and confidence in the commodity markets and that preserve the interests of bona fide hedgers and consumers.

For more information on the coalition visit www.nefactioncenter.com/commoditymarkets.php.

###