

March 23, 2009

The Honorable Collin Peterson, Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Frank Lucas, Ranking Member
House Committee on Agriculture
2311 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Peterson and Ranking Member Lucas:

We are writing to thank you and your colleagues for your work on the Derivatives Markets Transparency and Accountability Act of 2009 (H.R. 977). This legislation is urgently needed to restore confidence in our nation's futures markets, while protecting consumers, farmers, energy retailers, users and transporters, business operators and others that these markets were established to serve.

The events of 2008 that roiled the futures markets demonstrated the need for reform of on-exchange futures and over-the-counter derivative markets. H.R. 977 provides sensible, balanced and common-sense reforms that will help all derivative markets work more effectively and with increased transparency.

We appreciate the committee's work to hold a series of in-depth hearings that clearly demonstrated the need for reform. From the testimony of dozens of witnesses, it is clear that non-traditional speculators played a significant role in the swift and volatile commodity price run-up through last summer, and also in the subsequent price collapse. The activities of passively managed index funds, actively managed hedge funds and swap dealers all served to exaggerate price movements in energy, agricultural and other markets.

The increased market volatility that occurred as a result of the actions of non-traditional speculators had serious adverse consequences for many segments of our economy. During a committee hearing, one witness testified the commodity bubble cost Americans more than \$110 billion in artificially inflated food and energy prices. For a period of time, farmers were unable to execute many cash forward contracts; consumers paid more than \$4 for a gallon of gasoline; and companies faced difficulties in managing their risks, which contributed to poor financial results that were followed by significant layoffs.

Independent of the activities in the organized futures markets, rampant speculation in credit default swaps and other financial instruments contributed to the ongoing financial meltdown and the enormous costs to the taxpayer of stabilizing the financial system. H.R. 977 will ensure market operators cannot exploit loopholes in our regulatory system by organizing overseas. This legislation also requires a careful review of the limits on how many futures contracts can be controlled by non-traditional speculators. It will provide additional resources to the Commodity Futures Trading Commission (CFTC) and enhance CFTC's ability to shed light on the over-the-counter swaps market. H.R. 977 will also require the vast majority of over-the-counter swaps to be cleared through an approved clearinghouse, eliminating the counterparty risk that has added instability to our markets.

As the bill continues through the legislative process, we urge you to consider supporting additional provisions to require the CFTC to impose aggregate position limits on commodity traders, regardless of whether they are trading on a regulated exchange or on the over-the-counter market. Congress must take timely action to avoid exacerbating the turmoil that has plagued our financial markets.

Consumers, workers, farmers, business operators and taxpayers will all benefit from H.R. 977 and we look forward to working with you to ensure that this important vital and needed reform becomes law as quickly as possible.

Sincerely,

Agricultural Retailers Association
Air Transport Association
Amcot
American Association of Crop Insurers
American Cotton Exporters Association
American Cotton Shippers Association
American Trucking Associations
Atlantic Cotton Association
Colorado/Wyoming Petroleum Marketers and Convenience Store Association
Consumer Watchdog
Florida Petroleum Marketers Association
Gasoline & Automotive Service Dealer's of America, Inc.
Independent Connecticut Petroleum Association
Independent Oil Marketers Association
Independent Oil Marketers Association of New England
Kentucky Petroleum Marketers Association
Louisiana Oil Marketers and Convenience Store Association
Maine Oil Dealers Association
Massachusetts Oilheat Council
National Association of Oilheating Service Managers
National Association of Truck Stop Operators
National Corn Growers Association
National Cotton Council
National Farmers Organization
National Farmers Union
National Milk Producers Federation
National Sorghum Producers
New England Fuel Institute
New Jersey Citizen Action Oil Group
New Mexico Petroleum Marketers Association
New York Oil Heating Association, Inc.
Oil Heat Council of New Hampshire
Oil Heat Institute of Rhode Island
Organization for Competitive Markets
Petroleum Marketers Association of America
Public Citizen

R-CALF United Stockgrowers of America
Society of Independent Gasoline Marketers of America
Southern Cotton Association
Tennessee Oil Marketers Association
Texas Cotton Association
United Egg Association
United Egg Producers
US Rice Producers Association
USA Rice Federation
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 Association
World Cotton Exporters Association

cc: House Committee on Agriculture Members
U.S. House of Representatives Speaker Pelosi
U.S. House of Representatives Majority Leader Hoyer