## Homeland Security and Government Affairs Committee Permanent Subcommittee on Investigations Hearing on Excessive Speculation in the Wheat Market

## SENATOR CLAIRE McCASKILL Statement for the Record

I want to first thank the Subcommittee for their truly comprehensive investigation and leadership on this issue. This report hits home. For over the past year I have received numerous calls from farmers across Missouri who are seeing their livelihoods fade. Now volatility is nothing new in Ag markets, and frankly investment interest in the wheat markets does help to provide price discovery. But from 2007 to 2008 the average daily basis for wheat traded on the Kansas City Board of Trade rose by 51 cents per bushel. During 2008, the maximum basis reached to about 90 cents. The market just doesn't seem to be working and as the gap between futures and cash prices widens, the chances for our farmers to get a fair shake quickly declines. In this economy, price convergence is essential.

My farmers are telling me that right now the price is holding at \$5.42 bushel – the grain elevator takes \$1.20 and minus the cost of seed, fertilizer, rent etc. they're losing about \$50 per acre. Multiply that by 3,000 acres or so and that's a lot of money. The negative basis was much higher this time last year – as much as \$2.29. What it boils down to is that this money comes out of the pocket of the farmer. It's been likened to just giving away a third of your crop.

As long as the negative basis keeps increasing, so does a farmer's ability to turn a profit. Ultimately, if the vicious cycle continues, farmers are saying they just won't plant as much wheat. That's clearly not a solution any of us are looking for.

I know I don't have to remind my colleagues it's not just a Missouri issue. Price convergence is critical for farmers to stop treading water everywhere.

I implore the CFTC to work with the relevant exchanges and find sensible ways to establish convergence in the market. Missouri farmers need help and they need it quickly. With escalating input prices and the extreme volatility in these markets our farmers must have a quick solution.

Thank you again for the Subcommittee's work. I'll be interested in hearing from the panels on how we can come to a compromise to restore natural order to these markets.