

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman

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STATEMENT BY SENATOR CARL LEVIN ON
CFTC REVIEW OF SPECULATION TRADING LIMITS

WASHINGTON – *Sen. Carl Levin, D-Mich., said the following today regarding the Commodity Futures Trading Commission’s (CFTC) review of speculation trading limits:*

“It is a relief to know that the Obama Administration does not plan to stand by silently while inflated crude oil prices top \$70 per barrel despite ample oil supplies and low demand. Instead of simply watching another run up in energy prices, the Commodity Futures Trading Commission has launched a top-to-bottom review of its authority to use ‘position limits’ to clamp down on excessive speculation and ensure commodity prices reflect supply and demand rather than speculators gambling on market prices to turn a quick profit.

“The CFTC already limits the number of futures contracts that one trader can hold for agricultural commodities like wheat, corn, and soybeans to prevent price manipulation and excessive speculation. It’s long past time to put similar limits in place for energy commodities like crude oil, natural gas, heating oil, jet fuel, and diesel fuel whose price distortions can devastate our economy. We also need the CFTC to begin reviewing and revoking the exemptions and waivers handed out to swap dealers who are now routinely exceeding standard trading limits, overwhelming our commodity markets, and distorting prices.

“For the past six years, the U.S. Senate Permanent Subcommittee on Investigations, which I chair, has been documenting the impact of excessive speculation on U.S. commodity prices. A 2006 report showed how the injection of billions of speculative dollars into the oil market helped increase crude oil prices. A 2007 report showed how huge trades by a single hedge fund, Amaranth, distorted natural gas prices and increased costs for natural gas consumers. Last month, we released a report disclosing how excessive speculation in the wheat market has contributed to higher futures prices compared to cash prices, and hurt wheat farmers, grain merchants, food processors, and others using the futures market to manage their price risks.

“Excessive speculation is distorting prices, undermining our commodity markets, and hurting our economic recovery. I am glad to see the CFTC is at long last stepping up to its responsibility by acknowledging the problem and taking the first steps needed to protect U.S. commodity markets from excessive speculation.”

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