

Opening Statement of  
Senator Susan M. Collins

## **“Excessive Speculation in the Wheat Market”**

Permanent Subcommittee on Investigations

Committee on Homeland Security & Government Affairs  
July 21, 2009

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**Mr. Chairman, thank you for your many years of leadership in exposing excessive speculation, market abuses and manipulation. Last year, Chairman Lieberman and I held a series of hearings investigating the skyrocketing price of energy and agricultural commodities. Our hearings gathered compelling evidence that excessive speculation in futures markets was a significant factor pushing up oil and agricultural commodity prices.**

**Chairman Levin and Ranking Member Coburn have**

undertaken an in-depth and exhaustive investigation of speculation by delving into the inner workings of the wheat market. The data and analysis they have presented make another compelling case that excessive speculation has caused our commodity markets to become unmoored from those who actually make their livelihoods using the underlying commodities, as well as consumers who pay the ultimate price.

Last spring, Andrew Siegel, the owner of a bakery in Maine, testified before the full Committee that the dramatic increase in the price of the 50,000 lbs. of flour that he used per week from September 2007 to February 2008 made it nearly impossible to operate his small business. He identified federal ethanol policies and excessive speculation as the major culprits.

Our hearings demonstrated that massive new

holdings of commodity futures by pension funds, university endowments, and other institutional investors appeared to be driving up prices. These investors' intentions may be simply to provide good returns and investment diversification, but many experts believe the size of their holdings are distorting commodity markets and pushing prices upward.

To combat the effect that speculation has in our oil and agricultural commodity markets, I have introduced the Commodity Speculation Reform Act. This bill would limit the percentage of total contract holdings that non-commercial investors could maintain in any one commodity market and close the "swaps loophole" that currently allows financial institutions to evade position limits intended to prevent an investor from cornering a market.

Although commodity market reforms must still be made, Congress has made important progress addressing another problem our hearings identified: inadequate funding for the Commodity Futures Trading Commission (CFTC). The CFTC is responsible for ensuring that the commodities markets provide an effective mechanism for price discovery and a means of offsetting price risks. But CFTC's workload has grown rapidly over the past decade as trading volume increased more than ten-fold, reaching well over 3.4 billion trades in 2008. Actively traded contracts have grown by a factor of five – up from 286 in 1998 to 1,521 in 2008.

As the Ranking Member of the Appropriations Subcommittee for Financial Services, I joined with Chairman Durbin to increase funding for the CFTC to \$177 million – an increase of 10 percent over the President's fiscal year 2010 request. This funding would

provide CFTC with 21 percent more resources than last fiscal year. This additional investment will enable the CFTC to more effectively monitor the futures markets, analyze a vast amount of complex trading data, and more quickly respond to problems in the operations of the futures markets.

I thank the Chairman and Ranking Member for their work in this area. It will help make the case for needed reforms.

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