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CFTC Commissioner: Openness Can Stabilize Ag Markets

MABA Summer Outlook event provides venue for CFTC to ease concerns

EAST LANSING – Closing loopholes in reporting positions will provide greater transparency to market players, especially those who use over-the-counter trades, a Commissioner from the Commodity Futures Trading Commission said during the **Michigan Agri-Business Association's** annual Summer Outlook Conference Aug. 12-14.

“CFTC Commissioner **Bart Chilton's** remarks were timely and crucial at a time when high crop prices and out-of-sync futures contracts on commodities are putting grain elevators and producers at risk,” MABA President **Jim Byrum** said today.

“We greatly appreciate Commissioner Chilton's support for more transparency and information to help the ag industry deal with some of the credit and margin burdens they face because of high commodity prices,” **Byrum** said. “The grain industry's exposure to risk is tremendous and it's ultimately going to be passed down the agriculture chain to farmers in the future, unless we do something. Closing loopholes and increasing transparency will ease a lot of concerns and help reduce that risk.”

Byrum has repeatedly said, including in testimony before the CFTC earlier this summer, that country elevators need some breathing room. He said grain elevators are facing a credit crunch as their credit limits have soared four or five times higher than levels a year ago.

Though commodity prices have fallen in recent weeks, weather issues during this growing season could still cause markets to rebound and create further upheaval in the markets.

Byrum said many elevators have stopped offering forward contracts for next year's crop and beyond because of price volatility, risk and the threat of punishing margin calls. Rather than make major regulatory overhauls amid current price volatility and market uncertainty, Byrum said Chilton's call for more transparency on market players who use over-the-counter trades and “swaps” instruments to offset risks is the right move.

“We aren't against speculation in the commodity market – we just need to know who the players are,” **Byrum** said.

Agricultural interests have long questioned the role of investment traders in the markets as one of the factors driving up commodity prices beyond the range market fundamentals would support. High prices and high trading volume have pushed traditional hedgers such as grain elevators out of the markets, largely because grain elevators maxed out their credit lines with banks.

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