



Commodity Futures Trading Commission

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Statement

Opening Statement of CFTC Acting Chairman Walt Lukken Before the Agricultural Advisory Committee (As Prepared for Delivery)

July 29, 2008

I want to thank Commissioner Dunn for hosting this important meeting and thank you all for coming today.

Since this Committee last met, we have witnessed unprecedented price increases across all agricultural commodities. These higher commodity and energy prices reflected in our markets are painfully felt by all Americans. Specifically, record prices have put considerable strain on agricultural producers and other commercial market participants due to higher and unexpected input and margining costs.

Although recent prices have come off their highs, regulators cannot be complacent. Protecting the integrity of these markets, as well as the public that relies on the accuracy of their prices, lies at the heart of the CFTC's core mission and today we look to you for your expertise and assistance.

Most, if not all of you attended and participated in the Agricultural Forum on April 22 when the CFTC brought together a broad cross-section of the agricultural markets in an effort to form a collective understanding of what was occurring in these markets. Our goal was, and continues to be, to work closely with the industry not only to help us identify problems in the markets, but also to partner with us in finding consensus solutions should it be determined the markets are not functioning properly.

As you know, following the Agricultural Forum, the CFTC announced a number of initiatives for the agricultural markets. First, the Commission announced that it would use its special call authorities to collect additional information from swap dealers regarding the amount of off-exchange pension and index funds that are flowing through these institutions into our markets and provide a report by September 15th on whether these traders should be reclassified for regulatory and reporting purposes. Commission staff is making substantial progress on this unparalleled undertaking. In addition, the Commission announced it will examine greater risk management options for farmers and agri-business. The Commission also publicly unveiled the existence of its cotton

market investigation, which it continues to vigorously pursue. Also announced, the Commission continues to facilitate discussions with banking authorities to ensure that proper credit lines are available to agricultural entities during these times of higher prices and margins.

A number of issues arising from the Agricultural Forum required greater market expertise and input and were referred to this Committee for discussion. One issue is the lack of convergence between the futures and cash prices of certain commodities. This matter is of great concern to me and the entire Commission. Some commercial participants have lost confidence in the ability to hedge in certain of these markets and it is critical that market participants work with the Commission to address this matter aggressively and head on. Moreover, we must continue to work together to ensure that producers and merchandisers have proper margin financing and alternative risk management options in order to promote proper hedging in our markets. These issues are on today's agenda and I look forward to hearing from participants.

Thank you again for your service to this Committee and for all of the assistance you have provided the CFTC as we tackle these challenges in the agricultural markets.