



Commodity Futures Trading Commission
Office of External Affairs
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
202.418.5080

Statement

Opening Statement of Agricultural Advisory Committee Chairman Michael V. Dunn (As Prepared for Delivery)

July 29, 2008

Welcome to the Agricultural Advisory Committee of the CFTC. This is the 32nd meeting of this advisory committee and it is a very important one given the recent turmoil in agricultural markets.

The lack of convergence between the future and cash price in some contracts has shaken the confidence in the futures market to act as a price discovery mechanism. This lack of confidence has resulted major problems for all that rely on the futures markets to hedge their risk. For instance, many have expressed great concern regarding wheat markets where convergence has been particularly problematic. [I recommend not singling out particular contracts for the opening. I think you have strongly made the point that something needs to be done about convergence.]

At our Apr 22nd agriculture round table meeting we began a dialog with the participants of the futures industry to address these concerns and explore solutions. The CFTC took a number of actions as a result of that meeting. The Agricultural Advisory Committee was asked to follow up on a number of issues identified at that meeting, including:

- Developing solutions for improving convergence in the futures and cash markets;
- Discussing practices of exchanges for determining margin, daily price limits and, methodologies of setting settlement price;
- Facilitating discussion on the role and size of over-the-counter agricultural swaps; and
- Determining whether there are additional studies agricultural market users believe the Commission should undertake relevant to current commodity prices.

Since that meeting I have spent a great deal of time with many of you that are here today to address these issues. I want to thank you and the presenters for your time, effort and advice on these matters. What we are about could not be more serious. We need to do everything we can to protect futures markets' hedging and price discovery functions. If recent convergence problems are the "canary in the coal mine" we need to take action now.

Thank you again for your participation.