

# United States Senate

WASHINGTON, DC 20510

October 20, 2022

The Honorable Rostin Behnam  
Chair  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St. NW  
Washington, DC 20581

Dear Chair Behnam:

We write to express our concern regarding the recent volatility in commodities markets and its effect on working families. As our nation continues to emerge from the global pandemic, our economic recovery has experienced widespread job creation and record-low unemployment.<sup>1</sup> Despite notable gains in wages for workers,<sup>2</sup> however, rising costs continue to inflict financial pain on families across the country.<sup>3</sup> Supply chain bottlenecks,<sup>4</sup> corporate price gouging,<sup>5</sup> destructive climate events,<sup>6</sup> and Vladimir Putin's war on Ukraine have all contributed to skyrocketing food and energy prices over the last year.<sup>7</sup> And yet, while American families are struggling with rising prices,<sup>8</sup> Wall Street traders are raking in record profits

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<sup>1</sup> U.S. Bureau of Labor Statistics, "Employment Situation Summary," press release, September 2, 2022, <https://www.bls.gov/news.release/empsit.nr0.htm>; NPR, "The unemployment rate fell to 3.5%, matching its lowest level in the last 50 years," Scott Horsley, August 5, 2022, <https://www.npr.org/2022/08/05/1116036160/the-unemployment-rate-fell-to-3-5-matching-its-lowest-level-in-the-last-50-years>.

<sup>2</sup> Pew Research Center, "Majority of U.S. Workers Changing Jobs Are Seeing Real Wage Gains," Rakesh Kochhar, Kim Parker, and Ruth Igielnik, July 28, 2022, <https://www.pewresearch.org/social-trends/2022/07/28/majority-of-u-s-workers-changing-jobs-are-seeing-real-wage-gains/>; MIT Sloan School of Management, Institute for Work and Employment Research, "U.S. Workers' Organizing Efforts and Collective Actions: A Review of the Current Landscape," Thomas A. Kochan, Janice R. Fine, Kate Bronfenbrenner, Suresh Naidu, Jacob Barnes, Yaminette Diaz-Linhart, Johnnie Kallas, Jeonghun Kim, Arrow Minster, Di Tong, Phela Townsend, and Danielle Twiss, June 2022, <https://mitsloan.mit.edu/sites/default/files/2022-06/Report%20on%20Worker%20Organizing%20Landscape%20in%20US%20by%20Kochan%20Fine%20Bronfenbrenner%20Naidu%20et%20al%20June%202022.pdf>.

<sup>3</sup> NPR, "Families are continuing to have to deal with the effects of inflation," A Martinez and Scott Horsely, August 10, 2022, <https://www.npr.org/2022/08/10/1116688950/families-are-continuing-to-have-to-deal-with-the-effects-of-inflation>.

<sup>4</sup> Board of Governors of the Federal Reserve System, FEDS Notes, "Effects of Supply Chain Bottlenecks on Prices Using Textual Analysis," Henry L. Young, Anderson Monken, Flora Haberkorn, and Eva Van Leemput, December 3, 2021, <https://www.federalreserve.gov/econres/notes/feds-notes/effects-of-supply-chain-bottlenecks-on-prices-using-textual-analysis-20211203.html>.

<sup>5</sup> Economic Policy Institute, Working Economics Blog, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?," Josh Bivens, April 21, 2022, <https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/>.

<sup>6</sup> Axios, "Climate change is a secret driver of inflation," Hope King, August 18, 2022, <https://www.axios.com/2022/08/18/inflation-climate-change-economy-extreme-weather>.

<sup>7</sup> World Bank Group, "Commodity Markets Outlook," April 2022, p. 1, <https://openknowledge.worldbank.org/bitstream/handle/10986/37223/CMO-April-2022.pdf>.

<sup>8</sup> New York Times, "Inflation Explained: The Good, the Bad and the Uncertain," Jeanna Smialek, September 13, 2022, <https://www.nytimes.com/2022/09/13/business/cpi-inflation-explained.html>; New York Times, "September Inflation Report: Prices Rise Faster Than Expected," Jeanna Smialek, October 13, 2022, <https://www.nytimes.com/live/2022/10/13/business/inflation-cpi-report>.

trading these very commodities.<sup>9</sup> According to one report, 100 of the biggest banks by revenue earned a record \$18 billion from commodities trading in 2022, “benefit[ing] from rising prices and market dislocations as the world economy lurched in and out of Covid restrictions” and as the Russian invasion of Ukraine “triggered some of the most dramatic commodity price moves in history.”<sup>10</sup> Excessive speculation in the commodities markets has the potential to worsen the financial pressure on families and exacerbate inflation.<sup>11</sup> Indeed, last month, you stated during an interview that “... there is a global commodity crisis going on. Our markets are impacted. We have to make sure the markets are transparent, fair, and orderly, and reflective of price discovery and, you know, supply and demand. And there is a lot of stress in the market.”<sup>12</sup> The Commodity Futures Trading Commission (CFTC, the Commission) has a responsibility to protect American families by fulfilling its mission “to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation”<sup>13</sup> and ensure that consumers are not paying more for everyday necessities due to excessive speculation.

According to a recent report issued by The World Bank, “commodity markets are facing an unprecedented array of pressures, lifting some prices to all-time highs.”<sup>14</sup> Indeed, in March 2022, food prices were 84 percent higher than they had been in April 2020.<sup>15</sup> That same month, fertilizer prices had risen by 220 percent over their April 2020 lows, and one barrel of Brent crude oil had risen 55 percent over its December 2021 price.<sup>16</sup> While these commodities have been defined by high prices in recent months, their trade has also been characterized by extreme volatility.<sup>17</sup> In late January, prices for “expiring natural-gas futures contracts shot up 46%, the biggest daily gain on record.”<sup>18</sup> As The Wall Street Journal writes, “the timing and sharpness of the move – and the few trades involved – suggest speculators trapped in wrong-way bets on the direction of prices raced to buy futures at the 11<sup>th</sup> hour to settle trades. Known as a short-squeeze, the situation can produce sharp gains with little connection to market fundamentals.”<sup>19</sup> This kind of speculation in the commodities markets has a direct impact on

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<sup>9</sup> Bloomberg, “Wall Street’s Commodity Traders on Track to Break Profit Records,” William Shaw and Jack Farchy, September 9, 2022, <https://www.bloomberg.com/news/articles/2022-09-09/wall-street-s-commodity-traders-on-track-to-break-profit-records?leadSource=verify%252520wall>.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> CNBC, “There are gaps in crypto regulation that need to be filled, says CFTC Chair Rostin Behnam,” September 28, 2022, <https://www.cnbc.com/video/2022/09/28/there-are-gaps-in-crypto-regulation-that-need-to-be-filled-says-cftc-chair-rostin-behnam.html>.

<sup>13</sup> Commodity Futures Trading Commission, “The Commission,” <https://www.cftc.gov/About/AboutTheCommission>.

<sup>14</sup> World Bank Group, “Commodity Markets Outlook,” April 2022, p. 2, <https://openknowledge.worldbank.org/bitstream/handle/10986/37223/CMO-April-2022.pdf>.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> The Wall Street Journal, “Natural-Gas Futures Spike in Latest Market Turmoil,” Ryan Dezember, January 27, 2022, [https://www.wsj.com/articles/natural-gas-futures-spike-in-latest-market-turmoil-11643329448?mod=article\\_inline](https://www.wsj.com/articles/natural-gas-futures-spike-in-latest-market-turmoil-11643329448?mod=article_inline); The Wall Street Journal, “Lumber Trading Is So Hot That It Almost Never Happens,” Ryan Dezember, February 23, 2022, <https://www.wsj.com/articles/lumber-trading-futures-wood-11645631506>; The Wall Street Journal, “JPMorgan Leads Talks to Contain Nickel Crisis Damage,” Joe Wallace, Rebecca Feng, and Jing Yang, March 13, 2022, <https://www.wsj.com/articles/jpmorgan-leads-talks-to-contain-nickel-crisis-damage-11647203014>; The Wall Street Journal, “Chaotic Trading in Energy, Metals and Food Spills Into Real World,” Ryan Dezember, April 12, 2022, <https://www.wsj.com/articles/chaotic-commodity-markets-spill-over-into-real-world-11649771900>.

<sup>18</sup> The Wall Street Journal, “Natural-Gas Futures Spike in Latest Market Turmoil,” Ryan Dezember, January 27, 2022, [https://www.wsj.com/articles/natural-gas-futures-spike-in-latest-market-turmoil-11643329448?mod=article\\_inline](https://www.wsj.com/articles/natural-gas-futures-spike-in-latest-market-turmoil-11643329448?mod=article_inline).

<sup>19</sup> The Wall Street Journal, “Chaotic Trading in Energy, Metals and Food Spills Into Real World,” Ryan Dezember, April 12, 2022, <https://www.wsj.com/articles/chaotic-commodity-markets-spill-over-into-real-world-11649771900>.

everyday people. “Since many sales to residential gas customers are linked to futures prices, the sharply higher futures mean a big increase in what many Americans had to pay for heat and electricity in February.”<sup>20</sup>

While some commodity prices have eased in recent months,<sup>21</sup> the CFTC has a responsibility “to protect the integrity of the commodity futures markets, to ensure that prices reflect the legitimate forces of supply and demand, and to combat excess speculation and manipulation.”<sup>22</sup> The global commodity market remains highly volatile – the Organization of Petroleum Exporting Countries, along with Russia and other oil-producing allies, have announced that they intend to cut oil production targets by 2 billion barrels a day, resulting in a three-week price high for the commodity.<sup>23</sup> Across the country, the downward trend of gas prices is beginning to reverse.<sup>24</sup> With families continuing to struggle with the sharply rising prices of food and other household necessities,<sup>25</sup> it is even more urgent that the Commission achieve these ends.

As Commissioner Christy Goldsmith Romero recently proposed, the CFTC can “ensure that American families are not paying artificially increased prices due to excess speculation” by “conduct[ing] a series of deep-dive studies in key commodities markets, starting with those that have been experiencing the most recent stress—natural gas, crude oil, and wheat” to “study whether prices are being determined by market fundamentals”<sup>26</sup> rather than through fraud, manipulation, or other factors. Such studies would strengthen the CFTC’s work to protect American families from artificially high prices and ensure it is using its tools to identify “any factor that might contribute to increased food, energy, and metal costs.”<sup>27</sup> Moreover, such studies would “lead to greater public and market confidence that [derivatives] markets are serving their price discovery and risk management functions and prioritizing the interests of the farmers, ranchers, and producers who provide food, fiber and fuel for the world”<sup>28</sup> and American families.

To gain more information about how the Commission intends to use its data and authorities to protect American families from the whims of overzealous Wall Street traders, we request that you provide responses to the following questions by November 3, 2022.

1. To what extent does the Commission believe excessive speculation may be contributing to rising commodity prices in key sectors?
2. Does the Commission have plans to conduct a study of the extent to which price increases in key commodities markets such as natural gas, crude oil, and wheat have been affected by excessive speculation?

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<sup>20</sup> *Id.*

<sup>21</sup> New York Times, “Inflation Explained: The Good, the Bad and the Uncertain,” Jeanna Smialek, September 13, 2022, <https://www.nytimes.com/2022/09/13/business/cpi-inflation-explained.html>.

<sup>22</sup> Commodity Futures Trading Commission, “Opening Statement of Commissioner Christy Goldsmith Romero Before the Energy and Environmental Markets Advisory Committee,” September 20, 2022, <https://www.cftc.gov/PressRoom/SpeechesTestimony/romerostatement092022>.

<sup>23</sup> Reuters, “Oil prices rise 1% on cuts to OPEC+ output targets,” Laila Kearney, October 6, 2022, <https://www.reuters.com/business/energy/oil-prices-rise-after-opec-agrees-slash-crude-output-2022-10-06/>.

<sup>24</sup> CNN, “Gas prices are starting to take off again. More increases are on the way,” Chris Isidore and Matt Egan, October 6, 2022, <https://www.cnn.com/2022/10/05/energy/gas-prices/index.html>.

<sup>25</sup> New York Times, “September Inflation Report: Prices Rise Faster Than Expected,” Jeanna Smialek, October 13, 2022, <https://www.nytimes.com/live/2022/10/13/business/inflation-cpi-report>.

<sup>26</sup> Commodity Futures Trading Commission, “Opening Statement of Commissioner Christy Goldsmith Romero Before the Energy and Environmental Markets Advisory Committee,” September 20, 2022, <https://www.cftc.gov/PressRoom/SpeechesTestimony/romerostatement092022>.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

- a. If so:
    - i. Which commodities will this study focus on?
    - ii. What drivers of pricing and market volatility will this study examine?
    - iii. What is the timeline on which the Commission plans to complete this study?
    - iv. Does the Commission have plans to make the results of this study public? If not, will you commit to making the results public?
  - b. If not:
    - i. Will you commit to directing the Commission to conduct and publish an independent study of the extent to which rising commodity prices and market volatility have been driven by excessive speculation?
3. Does the Commission have plans to implement a regularized system for understanding and sharing information regarding the mechanisms by which commodity pricing and market volatility impact everyday Americans?

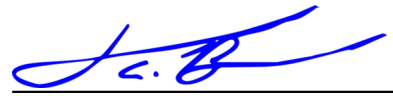
Thank you for your attention to this important matter.

Sincerely,



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Elizabeth Warren  
United States Senator



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Cory A. Booker  
United States Senator