



ABA News

Press Release from the American Bakers Association



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CFTC Vote Includes ABA Proposal on Position Limits – More Needs to Be Done

WASHINGTON, D.C. – Today the Commodity Future Trading Commission (CFTC) voted in favor of implementing contract limits on index funds investing in the wheat futures markets. “CFTC’s vote in favor of position limits is a step in the right direction, although we were hoping for more,” said Robb MacKie, ABA president and CEO. “This new rule marks the return of the markets to their original intent – a way for bakers and farmers to manage their respective risks. We commend the CFTC for taking a bold step forward today to address extreme volatility in the wheat market.”

“ABA’s position all along has been for the removal of hedge exemptions on index funds and redefining them as traditional speculators,” said Cory Martin, ABA senior manager of government relations. “The new rule will place limits on index funds, which will prohibit their ability to buy and hold hundreds of thousands of contracts, with some exemptions remaining.”

ABA has been actively engaged in discussions with the CFTC since late 2007, holding dozens of meetings with commissioners, sending in multiple comments with data urging action, and even testifying in the Senate on the impacts of index fund activity in the market. “This has been one of ABA’s top priorities since the 2008 wheat crisis,” added MacKie. “Our members, most notably bakers engaged with the ABA Commodity and Agricultural Policy Committee, have worked tirelessly to create solutions to decreasing market volatility. Their proposal to CFTC to remove hedge exemptions and impose limits on index fund investment in the market played a critical role in today’s vote.”

One area of concern for the industry is the large limits allowed under the new rule. “While the new rule does increase the current position limits, before today’s vote, index funds had no limits due to hedge exemptions,” added Martin. “Index funds will soon have restrictions on investments similar to those placed on traditional speculators. These new limits will lead to decreasing volatility, returning some certainty to the market.”

ABA will continue to work with the CFTC to address these high position limits as well as possible exemptions to the limit during the rule’s implementation over the next year.

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About the American Bakers Association:

The American Bakers Association (ABA) is the Washington D.C.-based voice of the wholesale baking industry. Since 1897, ABA has represented the interests of bakers before the U.S. Congress, federal agencies, and international regulatory authorities. ABA advocates on behalf of more than 700 baking facilities and baking company suppliers. ABA members produce bread, rolls, crackers, bagels, sweet goods, tortillas and many other wholesome, nutritious, baked products for America’s families. The baking industry generates more than \$102 billion in economic activity annually and employs more than 633,000 highly skilled people.