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On behalf of the
Petroleum Marketers Association of America
The New England Fuel Institute
And the Colorado Petroleum Marketers and Convenience Store Association

Testimony before the
U.S. House of Representatives Agriculture Committee
"Derivatives Reform: The View from Main Street"
Washington, DC

July 21, 2011

Thank you Chairman Lucas and Ranking Member Peterson for the invitation to testify before you today on the importance of derivatives reform to Main Street businesses and consumers. My name is David Fraley of Fraley and Company, Inc. in Cortez, Colorado. I am also speaking today on behalf of the Petroleum Marketers Association of America, the New England Fuel Institute and the Colorado Petroleum Marketers and Convenience Store Association.

The Petroleum Marketers Association of America (PMAA) is a federation of 49 state and regional trade associations representing 8,000 mostly small business petroleum marketers. Petroleum marketers are engaged in the transport, storage and sale of petroleum products on the wholesale and retail levels. These products include gasoline, diesel fuel, biofuel blends, kerosene, jet fuel, aviation gasoline, racing fuel, lubricating oils, propane, home heating oil as well as ethanol and biodiesel motor fuel blend stocks. Among the customers served by petroleum marketers are retail gasoline stations, commercial transportation fleets, manufacturers, construction companies, federal, state and local governments, farmers, airports, railroads, marinas and homeowners. Small business petroleum marketers own and operate approximately 60 percent of all retail gasoline stations operating nationwide.

The New England Fuel Institute (NEFI) is an independent trade association based in Massachusetts that represents approximately 1,200 home heating businesses including heating oil, kerosene and propane dealers and related services companies, most of which are small, multi-generational family owned- and operated-businesses.

The Colorado Petroleum Marketers and Convenience Store Association (CPMCSA) **is…**

I am a third generation owner of Fraley and Company, Inc. which operates in several states (PLEASE LIST THE STATES). I have utilized the commodities market over the years to hedge on propane pricing in the winter and I have a customer program as well. My focus with you today is to report what is happening on the street and to petroleum marketers.

We'd like to thank this committee for its leadership in passing derivatives market reforms included Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L.111-203) last year. We also commend Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler, his fellow Commissioners and their staff for their hard work and dedication to what has been one of the most open and transparent rulemakings in memory.

Mr Chairman and members of the committee, as you are fully aware, petroleum marketers and heating oil and propane dealers have been communicating our strong concerns about the lack of transparency and excess speculation in the commodity markets to the Congress for the past seven years. We greatly appreciate that this committee heard our concerns and moved forward with strong legislation designed to bring the commodity market back to the physical players to use as a tool to manage their costs.

The inclusion of derivative market reforms in last year's Wall Street Reform Act was a vital first step toward correction of the market. Unfortunately, delays in final implementation of the regulations leaves Main Street petroleum retailers and home heating providers with no positive change. Excessive speculation continues to create extreme price swings and market volatility, creating an environment where businesses like mine find it difficult to hedge, invest in my business, expand and hire new employees, and maintain healthy lines of credit. And the extreme volatility that is caused by the excess speculation stymies consumer confidence. Also shaken is our confidence in these markets as a legitimate price discovery tool that is reflective of supply and demand fundamentals. We believe the lack of transparency and unprecedented level of speculative activity has disrupted and distorted this function of the markets.

We are not alone. Submitted with my testimony for inclusion in the record are dozens of academic, governmental and private studies reports and analyses from recent years showing the market disruption caused by excessive financial speculation. Also, earlier this month the CFTC reported that nine in 10 traders in the most heavily traded commodities, including crude oil, are financial speculators betting up the price.

Make no mistake, financial speculation in commodities is necessary. Speculation provides the commodity markets with the liquidity needed to facilitate price discovery and appropriate risk mitigation for hedgers. But these markets were not created to serve speculators they were created to serve businesses like mine, and other hedgers and end-users of physical commodities, from wheat growers to corn farmers, oil producers to airlines. And at some point over the last few years, all of these industries have expressed to the Congress and to this committee concern over the affects that too much speculation and general lack of transparency and oversight was having on their businesses.

The reforms included in Title VII of the Dodd-Frank Act were meant to address these concerns, including new clearing requirements for off-exchange swaps and mandatory position limits for speculative traders. Concerning the latter, the CFTC is six months delayed in implementing a final rule. We are hopeful that the Commission will act soon to finish work on this important rule, and we urge Congress' support in this regard.

Additionally, in order to see real change on Main Street, **Congress must provide the CFTC with appropriate funding increases** for comprehensive implementation and enforcement of Title VII reforms, to respond to emerging market trends and trading practices, and to insure orderly and functional commodities markets. We were disappointed that the House of Representatives approved a funding level that is 44 percent below the amount requested by the Commission as necessary in order to fulfill this mission.

We hope the Senate will fully fund the CFTC at $308 million as requested, and that the House will ultimately side with Main Street over Wall Street. As all parties know, without adequate funding, derivatives reform may not be fully enacted and cannot be vigorously enforced. Inadequate funding or the lack Congressional support for comprehensive implementation and vigorous enforcement of needed reforms will further jeopardize security, stability and confidence in the commodity markets.

Therefore, we also urge Congress to resist calls to water-down, delay or repeal Title VII reforms. This would not benefit Main Street businesses and consumers. Rather, it would benefit financial entities and speculative investors on Wall Street and

LaSalle Street who are desperate for opportunities to derail needed reforms, preserve the status quo and continue their speculative profits.

You as our Representatives, you have to decide. Are you going to support the heavy campaign contributors – Wall Street and the Banks, or are you going to support those who have less to contribute to Congressional campaigns financially – Main Street? Representatives of financial institutions communicate to Congress in ways to complicate and to confuse the issue. But the bottom line is simple. Wall Street has exploited America and it is up to you to defend her.

Thank you for your time. I am available to answer any questions you might have.