



Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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March 18, 2010

The Honorable Blanche Lincoln
Chairman
Committee on Agriculture, Nutrition and Forestry

The Honorable Saxby Chambliss
Ranking Member
Committee on Agriculture, Nutrition and Forestry

Re: Derivatives and Requirements for Clearing and Margin

Dear Chairman Lincoln and Ranking Member Chambliss:

On behalf of the Industrial Energy Consumers of America (IECA), we thank you for your leadership in addressing needed reform to commodity markets and derivatives. As you proceed to draft your legislation we urge you to consider the following key point. Manufacturing companies who are in the business of producing physical goods and providing services related to those goods and use derivatives to hedge their company's physical or financial position, should be completely exempt from clearing and margin requirements.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$900 billion in annual sales and with more than 850,000 employees nationwide. IECA membership represents a diverse set of industries including: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

The fact that we do not speculate and are only about five percent of the market's total trading volume means we are not imposing a financial risk to the market. We are competing in a global market place and imposition of margin requirements would increase our costs and damage relative competitiveness because similar costs would not be imposed on competitors in other countries. Profit margins on many of the industrial products are very slim.

However, all other companies' transactions should be required to clear and post margin and this should include all companies whose "primary" business is generating income from trading and speculation. Wall Street trading houses, hedge funds, index funds and sovereign funds are examples of companies that should not be exempted.

We look forward to working with you to make these critically important changes.

Sincerely,

Paul N. Cicio
President

Cc: Committee on Agriculture, Nutrition and Forestry