

*June 28, 2023*

## Grilling in the Face of Soaring Commodity Prices: Impact on Barbecue Essentials



As the Fourth of July approaches, anticipation fills the air, and Americans prepare to celebrate this beloved national holiday in a truly delectable way: with barbecues. Known by various names like "cookouts" or simply "grilling," these outdoor feasts bring together family and friends, igniting the spirit of community and the joys of good food. However, regardless of the terminology used, this Fourth of July weekend Americans may notice higher prices for essential barbecue items, such as tangy barbecue sauce, savory ketchup, and delicious buns. For instance, a 32-ounce bottle of ketchup, which averaged \$4.08 during the week of May 16, 2022, rose to \$5.22 by the week of May 15, 2023—a [significant jump of nearly 28%](#). Similarly, other condiments have also experienced price hikes, with a 20-ounce bottle of mustard rising approximately 13% during the same time period, while 26-ounce bottles and jars of relish witnessed a surge of around 12%. These price increases can understandably cause frustration and concern for many American families as they prepare for their barbecue gatherings.

The escalating prices of condiments have [outpaced the average increase observed across grocery items](#), highlighting a troubling trend. While several factors contribute to this upward trajectory, the impact of soaring commodity prices, particularly affecting key ingredients like [sugar](#) and [wheat](#), is certainly a contributing cause. This underlying factor is contributing to the surge in condiment costs, intensifying the challenges faced by consumers as they strive to navigate the rising prices of essential BBQ ingredients. It is crucial to recognize and address this to alleviate the burdens placed upon individuals and families, ensuring that the joy of the barbecue experience remains accessible to all.

Moreover, it is concerning to observe how some companies have chosen [to exploit the current threat of market inflation](#), using it as a smokescreen to pad their own profits. With calculated precision, retailers adjust their pricing practices, strategically offering discounts on certain items like hot dogs, enticing shoppers with a semblance of savings. However, they cunningly keep other essential components, such as ketchup, at full price, capitalizing on their indispensability to the quintessential barbecue experience. However, it is

## How Commodities Are Driving Up the Price of Your BBQ



Simply put, a commodity is a raw material or primary agricultural product that can be bought and sold, such as sugar and wheat, which are the main components in almost every item of your family cookout.

Items like bread and condiments (whose main component is vinegar derived from wheat) are witnessing a surge in prices on grocery store shelves.

The upward trajectory of grocery prices can be attributed to heightened speculation within the agricultural commodities market, intensifying the financial burden experienced by consumers.



important to recognize that an underlying cause of these increases is the rise of commodity prices, which is exacerbated by excessive speculation in the agricultural commodities market.

## Grilling the Markets: How Speculation Spices Up BBQ Prices

The pricing of commodities, such as sugar and wheat, is typically aimed at reflecting their underlying value based on the forces of supply and demand. In an ideal scenario, these prices should be determined by the interactions between actual food producers, like farmers, and purchasers, such as manufacturers, in a process commonly referred to as "price discovery." However, practical limitations arise due to the availability of physical producers and purchasers at any given time, potentially leading to imbalances in supply and demand. To address this, financial speculators are allowed to play a regulated role in the food markets. Their involvement becomes crucial when there is a shortage of physical participants, ensuring market liquidity and continuity of trading. These speculators act as intermediaries during periods when physical producers and purchasers may not be readily accessible, thereby supporting the stability and efficiency of the commodity markets. This system holds particular relevance for essential BBQ ingredients, where price discovery and the involvement of financial speculators help facilitate the availability and affordability of items like buns and condiments for enjoyable barbecue gatherings.

Thus, speculation is a legitimate and necessary part of the commodities markets because it can provide liquidity and help to facilitate price discovery. But that speculation must be limited, or financial speculators seeking to maximize profits (not producers and purchasers seeking to establish prices based on supply and demand) will overtake and undermine these markets, defeating the very purpose of the markets. That is why excessive speculation is explicitly prohibited by law. Excessive speculation in commodity markets occurs when speculators disproportionately influence the prices of commodities beyond their fundamental value based on supply and demand. That can occur when investors engage in speculative trading, such as buying and selling agricultural futures contracts, with the primary goal of profiting from short-term price movements rather than actual consumption or production of the underlying commodity.

Moreover, speculators can also cause or exploit market volatility, leveraging catastrophic events such as wars or major weather

occurrences like droughts or intense rainstorms. These circumstances provide opportunities for speculators to capitalize on sudden shifts (or perceived shifts) in supply and demand, amplifying price movements and potentially intensifying the impact on commodity markets and prices.

In recognition of the potential risks associated with market volatility and the exploitative practices of speculators, Congress acted by directing the Commodity Futures Trading Commission (CFTC) to establish regulations addressing trading volumes and positions held by speculators. The CFTC was also given the task of reducing, eliminating, or preventing excessive speculation in the commodities markets.

[Position limits are one of the most important tools at the CFTC's disposal](#) to protect markets, businesses, and consumers. Better Markets [has for over a decade](#) called on the CFTC to lawfully implement a meaningful speculative position limits framework for derivatives to prevent big Wall Street banks and speculators from driving up prices on commodities and picking the pockets of American farmers and families. Unfortunately, the CFTC's 2020 rulemaking on position limits [falls short of protecting the interests of producers and consumers](#) in prices that reflect actual supply and demand, consequently leading to increased prices for buns, ketchup, soda, and [beer](#)—all key ingredients to a successful cookout.

## Ensuring BBQ Affordability: Action Needed to Adjust Federal Position Limits

Prohibiting excess, socially damaging speculation is critical to the proper functioning of these markets and position limits is a key tool to achieve that. However, the 2020 position limits rulemaking took a contrary approach by potentially enabling socially unproductive speculation under the guise of “hedging” and providing unwarranted exemptions, as well as allowing exchanges to encourage speculative activities under the pretext of being “helpful.” Instead of imposing limitations on speculation, the rulemaking opened avenues for its expansion and inevitable excessive use. To exacerbate the situation, the CFTC did not adequately address the harmful impact of speculative commodity index funds, despite being granted explicit authority to do so by Dodd-Frank.



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Every hardworking American has paid the price for this regulatory failure, from [rising gas](#) prices to increased costs of [groceries](#). While genuine supply and demand issues caused by extreme weather conditions, or a geopolitical conflict, certainly explain some volatility in the commodities markets, excess speculation not being reined in by effective position limits almost certainly has exacerbated the volatility and price increases.

While little can be done by the CFTC about the supply/demand factors and other market shocks that impact commodities prices, one thing that the CFTC can and should do is [conduct a full investigation](#) into what role, if any, excess financial speculation has played in the commodities markets. The investigation should be done regardless of price increases, declines, or volatility, or additional supply/demand shocks over the next several weeks and months, which are inevitable. The CFTC's legal duty to eliminate “excess speculation” is unqualified and it has established position limits ostensibly designed to accomplish that goal. Definitively determining whether that is the case, whether those position limits are or are not eliminating excess speculation, is imperative.

The CFTC must undertake a thorough investigation, diligently collecting and analyzing the facts and data at hand, to compile a comprehensive dataset and release a report that is transparent and accessible to the public. By pursuing this course of action, the American people can have confidence in the integrity of the investigation, the credibility of the report, and the resulting conclusions drawn from it. A well-executed analysis will shed light on the extent of speculation, while the facts themselves will serve as the foundation for determining whether such speculation crosses the line into excess. Should the data reveal evidence of excessive speculation, the CFTC is bound by its statutory obligations to take appropriate measures, including revisiting and revising its position limits rulemaking if deemed necessary.

## Sizzling Solutions: Ensuring Affordable BBQs through CFTC Action on Commodities Speculation

Family cookouts on the Fourth of July hold a special place in the hearts of Americans, but many families' budgets are going to be stretched if not broken by rising prices on barbecue essentials. As these families prepare for their festive gatherings, they may encounter the obstacle of escalating costs for items like meat, condiments, and beverages. These price increases can be attributed, in part, to excessive speculation in the commodities markets. Such speculation leads to unpredictable price fluctuations and increases, making it difficult for families to budget effectively and allocate their limited resources wisely. To address these pressing concerns, it is crucial for the CFTC to investigate the commodities markets and determine the extent to which speculation is contributing to the historic profits of major players in the industry. By doing so, the CFTC can help safeguard the affordability and accessibility of essential ingredients for a memorable Fourth of July barbecue celebration.

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The CFTC's legal responsibility to eradicate "excess speculation" remains clear and ongoing, and the establishment of effective position limits is a critical measure to achieve this objective. Through meticulous analysis of the available data and facts on a granular level, commodity by commodity, the CFTC can ascertain whether the existing position limits are set at appropriate levels or if adjustments are necessary to ensure that these commodities markets effectively prioritize the needs of genuine producers, purchasers, and consumers. By taking such action, the CFTC will send a message to the American public that the commodities markets are effective, efficient, and functioning as intended by Congress to fulfill their vital social purpose. This commitment will instill confidence that the markets are being actively regulated to protect consumers, promote fairness, and maintain the integrity of these essential industries.

Americans can then all enjoy their BBQs knowing that the regulator primarily responsible for making sure commodities prices reflect supply and demand, and not the profits of financial speculators, is doing its job.



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**Better Markets** is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buy-side, and protect investors and consumers.

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