

**MINUTES OF THE APRIL 22, 2020
MEETING OF THE
U.S. COMMODITY FUTURES TRADING COMMISSION'S
AGRICULTURAL ADVISORY COMMITTEE**

The Agricultural Advisory Committee (AAC) convened for a public meeting on Wednesday, April 22, 2020, at 3:05 p.m. EDT via teleconference. At this meeting the AAC heard remarks from Sonny Perdue, the Secretary of the U.S. Department of Agriculture (USDA) regarding the USDA's response on the COVID-19 (coronavirus) pandemic. In addition, the CME Group and ICE Futures US provided updates regarding the state of the market.

AAC Members in attendance

Buddy Allen, President/Chief Executive Officer, American Cotton Shippers Association
Joe Barker, Representative, National Council of Farmer Cooperatives
Chris Betz, Representative, Michigan Agri-Business Association
Larry Birgen, Representative, National Farmers Union
Darryl Blakely, Manager of Legislative Affairs & Market Regulatory Policy, National Cattleman's Beef Association
Robbie Boone, Senior Vice President-Government Affairs, Farm Credit Council
Amanda Breslin, Representative, Coalition for Derivatives End Users
Patrick Coyle, Representative, National Grain and Feed Association
Ed Elfmann, Vice President for Congressional Relations, American Bankers Association
Edward Gallagher, President, DFA Risk Management, National Milk Producers Federation
H. Thomas Hayden, Jr., Representative, Commodity Markets Council
Matt Hines, Risk Management Consultant/Licensed Broker, Loewen and Associates, Inc., American Farm Bureau Federation
Thomas Hogan, Vice Chairman-Board of Directors, Cocoa Merchants Association of America
Thomas Kadlec, Representative, Futures Industry Association
Chris Klenklen, National Association of State Departments of Agriculture
Ron Lee, Chairman, National Cotton Council of America
Randy Melvin, Chairman-Risk Management Action Team, National Corn Growers Association
John Owen, Chairman-Rice Futures Contract Working Group, USA Rice Federation
Monte Peterson, Director, American Soybean Association
Mark Scanlan, Senior Vice President of Agriculture and Rural Affairs, Independent Community Bankers of America
Stephen Strong, Vice Chair-Board of Directors, North American Export Grain Association
Justin Tupper, Co-Chair-U.S. Cattlemen's Association (USCA), Marketing & Competition Committee and Board of Directors Member, USCA
Hayden Wands, Chairman-Commodity and Agricultural Policy Committee, American Bankers Association
Ryan Weston, Representative, American Sugar Alliance
Chris Young, Head of US Public Policy, International Swaps and Derivatives Association, Inc.

Speakers and Panelists in Attendance

Sonny Perdue, Secretary of Agriculture, USDA
Rob Johansson, Chief Economist, USDA

Dudley Hoskins, Senior Advisor to the Secretary of Agriculture, USDA
Thomas LaSala, Chief Regulatory Office, CME
Derek Sammann, Global Head of Commodities and Options Products and Senior Managing
Director, CME Group
David Farrell, Chief Operating Officer, ICE Futures US

CFTC Commissioners and Staff in Attendance

Heath P. Tarbert, Chairman and AAC Sponsor
Rostin Behnam, Commissioner
Dan Berkovitz, Commissioner
Brian D. Quintenz, Commissioner
Dawn D. Stump, Commissioner
Summer K. Mersinger, AAC Acting Chair/Designated Federal Officer (DFO), Director, Office
of Legislative and Intergovernmental Affairs
Christa Lachenmayr, Economist, Division of Market Oversight
David Amato, Supervisory Market Analyst, Market Intelligence Branch, Division of Market
Oversight

I. Opening Remarks

Ms. Mersinger called the meeting to order. Chairman Tarbert then welcomed the meeting attendees. He remarked that many members of the agriculture community were struggling and he thanked them for the important work they were doing. He highlighted the critical role of the agricultural sector in the economy and noted that the sector has been the cornerstone of the Commodity Exchange Act. He then discussed the unprecedented uncertainty and price volatility the agricultural markets are facing due to COVID-19 and the need to discuss the issues members are facing and how they are dealing with these circumstances. He then noted two CFTC updates. First, he announced that in response to the public concern around the livestock market, he established a Livestock Markets Task Force that will monitor livestock contracts daily in real time. Second, he announced that the first CFTC liaison to the U.S. Department of Agriculture will soon be appointed. He concluded by thanking staff from the CME Group and ICE Futures, the other CFTC Commissioners, the Chief Economist for the USDA, and staff from the CFTC's Division of Market Oversight for joining the call. He also introduced and welcomed the USDA Secretary, Sonny Perdue, to the meeting.

Secretary Perdue thanked the Chairman, Commissioners, and all of the members of the AAC for the opportunity to join the meeting. He stated that he appreciated the Committee's work and the importance of farming, food production, and the food supply chain, especially in the time of COVID-19. He emphasized his appreciation of the attention the AAC and the Commission give to the need for market transparency in the current environment. He stated the USDA was working as quickly as possible to bring help to those producers who have been devastated. He stated that the President, in the prior week, had announced a \$19 billion support package for these producers and that the Department will use the funding to provide the support needed. He noted that the USDA was working quickly to implement these new programs and to write the necessary rules. He also noted that he had directed the USDA's Agricultural Marketing Service to extend its investigation initiative after the Holcomb fire in Kansas to include the price

effects on live cattle and boxed beef during COVID-19, and that they were also working hard to help the agricultural community find customers overseas and to reduce the barriers to business during this time.

Following the Secretary's remarks, Ms. Mersinger turned the floor over to the Commissioners for their opening remarks. Commissioner Quintenz thanked Chairman Tarbert for convening the meeting and for his leadership. He stated that it was timely that the AAC was meeting given the ongoing historic levels of prices and volatility in the agricultural cash and futures markets, and that he was interested in member insight on liquidity, market integrity, and the accessibility of futures markets in the current environment. He then discussed the Commission's unique role in protecting America's farmers and ranchers. He commended the Chairman for convening the Livestock Market Task Force to examine the conditions in the cattle markets and to ensure contracts are working as intended, and encouraged market participants to continue to voice concerns over the performance of any contracts.

Then, Commissioner Behnam gave his opening remarks, thanking all including the Chairman for starting the Livestock Market Task Force, Secretary Perdue for his leadership and words, and the AAC for their continued hard work. He noted he had previously had the privilege of sponsoring the Committee and that crop insurance and farm credit continue to remain among the many issues growers and producers are facing today. The Commissioner commended the market participants for continuing to engage one another. He emphasized that communication was key and that it was important for all parties to continue to engage with one another to resolve issues. He further remarked that the CFTC will continue to be a partner through the current headwinds.

Next, Commissioner Stump gave her opening remarks. She thanked Ms. Lachenmayr and the Chairman for organizing the meeting and all the panelists for their participation. She emphasized the CFTC's role in preserving the integrity of the futures markets and its reliance on partners such as the Department of Agriculture to help maintain integrity. She stated the Commission takes very seriously its obligation to ensure that those who attempt to manipulate the markets are held accountable.

Finally, Commissioner Berkovitz provided his opening remarks. He thanked the Chairman and Ms. Lachenmayr. He stated that it was important to engage with members of the affected markets so that they can hear what the Commission is doing to ensure market integrity. He thanked and welcomed Secretary Perdue. He then noted he had the privilege of traveling across the country last summer to meet with farmers, ranchers, and market participants throughout the U.S., which emphasized the importance of agriculture to both the U.S. economy and to national well-being. He also emphasize the importance of today's meeting in light of the COVID-19 pandemic and stated that the discussions would help the CFTC ensure that the commodity markets continue to serve their intended function of risk management and price discovery.

Following the opening remarks, Ms. Mersinger conducted a roll call of the AAC members present on the phone.

II. Market Statements by Exchanges

Ms. Mersinger introduced the next two speakers, Mr. Samman and Mr. Farrell. Mr. Samman began by thanking Chairman Tarbert and the Committee for the opportunity to provide an overview of the state of the agricultural markets. He stated that COVID-19 has caused unprecedented disruption to the global economy. He noted that these extraordinary circumstances have led to disruptions in the food supply chain, the results of which can be seen primarily in livestock and dairy markets, with the physical supply chain adapting to a shift in demand from food service to grocery channels and uncertainty around processing capacity.

Mr. Samman remarked that cattle and hog futures at CME Group were particularly impacted by these shifts, and the CME has responded by taking proactive steps to widen the daily price limits to ensure that price convergence would not be impeded. He noted that liquidity in the live cattle contracts has improved significantly over the past few years as the CME has made contract enhancements that have boosted deliverable supply, and have addressed the potential for congestion during the delivery period. He noted the contract was able to withstand the current market uncertainty as a result. The dairy and grains markets have been similarly impacted and the CME has been equally vigilant in these markets. He further noted that the CME continues to work closely with the agriculture industry to maintain an open line of communication to build and improve the effectiveness of its futures and options contracts for robust risk management and efficient price discovery.

Mr. Farrell spoke next, first thanking Chairman Tarbert, the Commissioners, and the Committee for the opportunity to provide an overview of the state of the agricultural markets. He stated that in such unprecedented times with disruptions on the supply and demand sides, the futures markets remain critical in providing their three primary functions to the agricultural supply chains: (1) risk management; (2) price discovery; and (3) allowing for convergence with the physical market. He noted the pattern of activity has been the same across all agricultural markets and that markets are starting to settle in and progress in a more normal fashion. He stated that while futures markets are electronic, there are aspects of the supply chain that could experience constraints as some activities require people to congregate to perform a function. Some examples include warehousing, sampling operations, transportation, and grading for commodities such as coffee and cocoa. In such cases, ICE Futures US is reviewing contingency plans and potential mitigations as precautionary measures.

III. Question and Answers

Ms. Mersinger then opened the floor for questions that were sent in ahead of time by AAC members. The first question was for Chairman Tarbert. The Chairman was asked how the CFTC plans on addressing the volatility dairy, cattle, and corn farmers that are experiencing. He responded that the Commission has put together the Livestock Task Force to talk to all involved to better understand the issues, and is referring relevant cases to enforcement for further investigation.

AAC members asked about the activity in the crude oil markets and what the implications were for a negative price for the May contract and whether other products could go negative. Mr. Samman responded that the negative pricing was driven by three factors: (1) significant

oversupply of crude globally; (2) significant reduced demand for global oil due to the COVID-19 pandemic; and (3) concerns about increasingly full U.S. storage capacity. He also stated that it is unlikely that other products, such as live cattle, lean hogs, and butter, would have negative pricing, as they are not as difficult to store as crude oil. Mr. Farrell added that negative pricing in other areas is possible, but unlikely.

Committee members also asked if there were any rules or regulations that were particularly helpful during the pandemic or if there were ideas for new rules based on the pandemic. Mr. Farrell responded that the principles set out in the ICE rulebook have been very helpful. Mr. Samman remarked that the most important thing in the current environment is a continued dialogue with the CFTC and with customers.

Ms. Mersinger then asked Mr. Amato whether the markets were reacting as he would expect given the current conditions. He responded that markets, with respect to price movements, were reacting the way he would expect, but remarked that these were historic times. He noted the hotspots regarding packing plants, and noted strange occurrences, including eight percent of milk being dumped and other effects on the poultry and hog industries. There has also been extreme volatility and gave as an example what is happening to cattle contracts. He also commented on some things he has noted in the Commitment of Traders Reports, including significant sell-offs by non-commercials.

Dr. Johansson was then asked to discuss what the USDA was doing to keep the food chain supply operational and the USDA's work with other government agencies. He explained that the food chain supply starts with farm operation and ends with the product in the grocery store. He also explained that transportation is a big part of that and USDA has been working with the U.S. Department of Transportation to ensure that goods can be timely transported. Additionally, the USDA has been working with the U.S. Department of Homeland Security (DHS) and the Centers for Disease Control to ensure personal protective equipment is also considered in the supply chain. Further, the USDA has been working closely with companies and the various state governments, as well. Mr. Hoskins added further details regarding the USDA's response. He stated that the USDA has looked to facilitating as much regulatory flexibility as possible to help redirect as much product as possible to the grocery stores.

Ms. Mersinger also asked the USDA representatives how COVID-19 had impacted U.S. trade deals. Dr. Johansson responded that with respect to China and Japan, while there have been some delays, the U.S. is still moving forward with its trade deals. Mr. Hoskins commented on a tomato suspension agreement with Mexico.

Next, Ms. Mersinger asked the USDA for an update on its work to improve rural broadband access. Both Dr. Johansson and Mr. Hoskins responded that this is a priority for the Secretary. Ms. Mersinger also asked the representatives to shed light on concerns regarding guest work visas. Dr. Johansson noted that the Department has been working hard with the U.S. Department of State, DHS, and the White House to limit disruptions.

Ms. Mersinger then asked what the CME is doing to monitor the integrity of the index for the April contract given that some sale barns are reducing the amount of feeder cattle sales. Mr. LaSala responded that the CME is monitoring the contract and believed there would be adequate

volume for settlement in April. Ms. Mersinger also asked Mr. Amato what factors would cause swings in volatility in the cattle market. He responded that cash and futures are pricing different things, and there has been tremendous uncertainty, such as not knowing whether more packing plants will have to go offline.

Next, Ms. Mersinger asked the status of the investigations following the Holcomb fires and how USDA has expanded its review to similar circumstances following the COVID-19 outbreak. Further, she asked the status of requests the CFTC has received for investigations into the cattle market. Mr. Hoskins responded that investigations are ongoing and if there are violations they will be referred to the U.S. Department of Justice. However, beyond this, the Department was not prepared yet to comment publicly. Mr. Amato commented that the CFTC will continue to cooperate with USDA as in the past.

In response to a request for an update on the CME's messaging efficiency program in its pre-opening period, Mr. LaSala responded that the CME has a team devoted to monitoring this program and that when it sees problematic activity, it conducts a review or formal investigation. Ms. Mersinger then asked Chairman Tarbert which other entities the Commission was coordinating with and how the Commission will move forward with its rulemaking priorities during COVID-19. The Chairman responded that the Commission was working closely with a lot of other agencies in the U.S. government as well as with its counterparts overseas. He stated that while the CFTC has been focusing on its COVID-19 response and making the sure the nation's markets remain orderly and liquid, it has also been moving forward on its current policy agenda. He stated the Commission is not starting anything new and big that is not essential so that it may focus its resources.

IV. Adjournment

Ms. Mersinger then thanked all the meeting participants and adjourned the meeting at 4:55 pm.

I hereby certify that the foregoing minutes are accurate.

 Summer Mersinger
Summer K. Mersinger
AAC Acting Chair/Designated Federal Officer

 10/16/2020
Date