

**MINUTES OF THE DECEMBER 7, 2022
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, December 7, 2022, at 9:02 a.m., at the U.S. Commodity Futures Trading Commission’s (“CFTC” or “Commission”) Headquarters Conference Center, located at Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. The meeting consisted of four presentations. Presentation 1 provided an overview on the state of the agricultural economy, including geopolitical and weather-related impacts. Presentation 2 provided a holistic view of how the value agricultural chain works together on sustainability issues. Presentation 3 discussed evolving price limits in agricultural markets. Presentation 4 discussed domestic and international shipping, freight, and storage impacts on the grain trade.

AAC Members in Attendance

Buddy Allen, American Cotton Shippers Association
Tim Andriesen, CME Group, Inc.
Joe Barker, National Council Farmer Cooperatives
Chris Betz, Michigan Agri-Businesses Association
Robbie Boone, Farm Credit Council
Layne Carlson, Minneapolis Grain Exchange
Robert Chesler, United Dairymen of Arizona
Gerald Corcoran, Futures Industry Association
Patrick Coyle, National Grain and Feed Association
Ed Elfmann, American Bankers Association
Edward Gallagher, National Milk Producers Federation
Thomas Haag, National Corn Growers Association
Scott Herndon, Field to Market
Thomas Hogan, Cocoa Merchants Association of America
Jered Hooker, American Soybean Association
Bryan Humphreys, National Pork Producers Council
Willis Kidd, Citadel
Jeff Lloyd, Archer Daniels Midland
Michelle Mapes, Green Plains Inc.
Mark McHargue, American Farm Bureau Federation
Erin Morris, U.S. Department of Agriculture/Agricultural Marketing Service
Cynthia Nickerson, U.S. Department of Agriculture/Office of the Chief Economist
Edward Prosser, The Scoular Company
Michael Ricks, Cargill
Bella Rozenberg, ISDA
Troy Sander, National Cattleman’s Beef Association
Liam Smith, Futures Industry Association, Principal Traders Group
Stephen Strong, North American Export Grain Association
Curt Strubhar, Grain and Feed Association of Illinois
Justin Tupper, US Cattlemen’s Association

Wes Uhlmeyer, Demeter Logistics
Hayden Wands, American Bankers Association
Ryan Weston, American Sugar Alliance
Jason Wheeler, USA Rice Federation

CFTC Commissioners and Staff in Attendance

Rostin Behnam, Chairman and AAC Sponsor
Kristin N. Johnson, Commissioner
Christy Goldsmith Romero, Commissioner
Summer K. Mersinger, Commissioner
Brigitte Weyls, Assistant Chief Counsel, Division of Market Oversight, and AAC Designated
Federal Officer (“DFO”)

Invited Speakers in Attendance

Tom Erickson, Erickson Law and Consulting, PLLC
Jessica Stephan, Chair of the Waterborne Commerce Committee, National Grain and Feed

I. Opening Remarks

Ms. Weyls, the DFO and Acting Chair of the AAC, called the meeting to order. Chairman Behnam, the Sponsor of the AAC, provided opening remarks. He welcomed all to the meeting and highlighted the critical role the AAC plays in supporting the strong connection between the CFTC and its historic responsibilities. These include ensuring its end-users continue to have access to CFTC-regulated markets, to manage risks, and provide a forum to discuss and address emerging issues and impacts on the agricultural markets. He thanked the Commissioners and panelists for their contributions. He also thanked staff and AAC members for their help and participation. Finally, he provided an overview of the topics to be discussed in the presentations. He stressed that the Commission’s goal should be to examine and explore ways that it can build greater resilience, usability, access, and availability into our markets and market structures.

Commissioner Johnson then thanked the organizers and attendees. She highlighted the CFTC’s role in price discovery and market oversight and how the agency is critical in ensuring the stability and integrity of agricultural markets. She highlighted the challenges the Commission has faced in recent years and its mission to work with all stakeholders to promote responsible innovation that effectively measures sustainability.

Next, Commissioner Mersinger thanked all attendees and organizing staff, and thanked the Chairman for holding the meeting. She highlighted the importance of the AAC’s work, stating that it provided a meaningful forum for the Commission to learn from those intimately and significantly involved in the production of food and fiber in the U.S. and around the world.

Finally, Commissioner Goldsmith Romero thanked the Chairman and his staff for organizing the meeting. She highlighted the need to make sure the markets meet the needs of the agricultural community and that they are resilient, transparent, and have integrity.

II. Presentation 1: The State of the Agricultural Economy, and Geopolitical and Weather-Related Impacts

Ms. Weyls introduced the first panelist, Dr. Nickerson. Dr. Nickerson discussed the outlook for production of major crops and livestock in the Northern Hemisphere. She stated that corn, soybean, wheat, and rice production have all been impacted due to poor planting conditions and weather. With regard to livestock, poor pasture conditions and drought have resulted in a decline in inventory. As a result, she commented that prices for major crops and most livestock are trending upwards with increased volatility. She also stated the U.S. is in its longest period of drought since 2000, when the Agriculture Department started monitoring.

Dr. Nickerson then discussed two major geopolitical risks. First, she stated that the Russian invasion of Ukraine is contributing to a lot of turbulence in the commodity markets and has put food security at risk. Some countries might restrict the supply of their commodities to outside markets to meet the supply demands of their own market. Ukraine's exports are off their normal pace. She explained that Ukraine is the fourth largest corn exporter and also contributes significantly to world exports of sunflower seed oil and meal. Second, the COVID lockdowns in China have decreased the amount of U.S. agricultural exports sold to China. While there has been some recovery since 2018, the U.S. has not fully recovered. She noted that it was significant because China is a top agricultural export market for the U.S.

Dr. Nickerson then discussed the tools for producers the USDA has to manage risks, including: crop insurance, farm safety net programs, lending and disaster programs, marketing contracts, and different market mechanisms. She noted that despite the issues she highlighted, the farm sector was still generally strong because of commercial farms. She stated that the farmers that were less likely to have a positive income were production farmers, residence farmers, and intermediate farmers.

Ms. Weyls opened the floor to questions and comments from the AAC membership. Generally, the concerns and discussions raised in this session included: the meaning of the data presented and how that data could be used to predict and address future industry trends.

III. Presentation 2: A Holistic View of How the Value Agricultural Chain Works Together on Sustainability Issues

Mr. Herndon began by giving an overview of Field to Market's programs and work, and explained that its members spanned the entire agricultural value chain. The focus of its programs is to build bridges between credible science and their member sustainability goals. They track eight sustainability metrics in their program, including, for example: biodiversity, energy use, and land use. They measure these metrics on their Fieldprint Platform, where farmers can access them confidentially. They also offer an API (application programming interface) service where members can integrate their sustainability metrics into their own tools.

Next, he discussed the projects they take on in their Continuous Improvement Accelerator project. This project provides pathways for their members to implement locally-led

conservation projects and collaborate to support farmers across the country in adopting sustainability practices.

Finally, Mr. Herndon discussed Field to Market's work in the innovative finance space. In the last few years it has devoted time to working with experts to uncover the key barriers to scaling sustainable and climate-smart practices. In 2022, they partnered with Trust in Food to conduct a survey of more than 500 farmers across the nation within their network. They found that 62 percent of farmers believe that implementing conservation practices improves their long-term profitability and 74 percent of farmers believe that they should receive monetary incentives for adopting certain practices that benefit the public good. Nearly all the farmers had tried a conservation practice, but only 15 percent received better market access or additional revenue for doing so.

This has raised the question of how financial innovation can overcome these incentive barriers. Field to Market worked on a report to identify twelve key blueprints to consider in financial innovation. These blueprints fall into five areas: blended finance, sustainable finance, transition risk sharing, land tenure, and leasing incentives. Three key recommendations were made in these areas: engage existing financial partners throughout the value chain in discussions about sustainability; experiment and pilot innovative financial mechanisms with diversified incentive strategies tailored to address farmers' needs; and share the results to spur adoption and innovation across the industry.

Ms. Weyls opened the floor to questions and comments from the AAC membership. Generally, the concerns and discussions raised in this session included: whether underwriting should be changed to better reflect sustainability; the definition of regenerative agriculture; and how the carbon output of soil is calculated.

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IV. Presentation 3: Domestic and International Shipping, Freight, and Storage Impacts on the Grain Trade

Following the break, Ms. Weyls introduced the next panelist, Mr. Andriesen. He discussed how the CME Group tries to ensure that price limits can at least slow down significant moves in the market place while continuing to promote discovery. He also highlighted the importance of being clear about the process in which these price limits are set. He stated that since 2012, the CME Group has been doing this by phasing in variable price limits. In doing so, they took the approach of seeing if a limit could be hit one out of 100 days of trading. They also ensured that the price limit was tied to the underlying commodity and reviewed that twice a year to come up with a price limit for the next six months. He further stated that while this process still works well, the levels of volatility in the market this past year were not anticipated and they had to work with the CFTC to adjust the limits more frequently.

Ms. Weyls opened the floor to questions and comments from the AAC membership. Generally, the concerns and discussions raised in this session included: what the plan would be

for unanticipated volatility in the future and what types of macroeconomic conditions would lead to sustained and persistent volatility.

V. Presentation 4: Domestic and International Shipping, Freight, and Storage Impacts on the Grain Trade

Ms. Weyls introduced the next set of panelists. Ms. Stephan began with an overview of the National Grain and Feed Association (“NGFA”). She explained that NGFA is a member-driven organization that enhances and grows the economic performance of U.S. agriculture. She then discussed America’s waterway system and the 500 million plus tons of commodities, around \$130 billion in value, it moves in a year. The waterway system is the most cost-effective, safe, efficient, and sustainable mode of transportation. She then discussed the risks associated with the waterway system including how weather conditions such as droughts and floods impact the waterways and the transportation of commodities. She also discussed other methods of transportation that are used to transport commodities and their limitations—railroads do not go everywhere and many more individual trucks would be required to move what a barge can move. She stressed the need to invest in the waterway system to be able to compete internationally with other waterway systems.

Mr. Erickson then spoke in his capacity as outside counsel and advisor to the NGFA. He discussed how the river system feeds into the export market, with the Gulf ports responsible for about 50 percent of the U.S. export capacity. He commented that maintaining the resilience of the river systems infrastructure provides the commodities industry with a competitive advantage. He also discussed the various online tools the NGFA has covering information on food security, climate change, and other relevant issues.

Ms. Weyls opened the floor to questions and comments from the AAC membership. Generally, the concerns and discussions raised in this session included: how to minimize the supply chain disruptions that cause market risk, the implications of renewable fuel obligations from the Environmental Protection Agency, and the availability of crop nutrients for production.

VI. Member Discussion: Agenda for the 2023 AAC Meeting

Ms. Weyls opened the floor to suggestions for topics for the AAC’s next meeting in 2023. Generally, the topics suggested included: the impact geopolitical conflict has on access to futures commission merchants, the implication of changing SPAN margining, the impact of biodiesel and renewable biodiesel, supply chain issues, the impact of the strength of the U.S. dollar and production both domestically and abroad, examining large single-execution events in the market place, infrastructure lending, further examining carbon credits and their implications, and potential cyber-attack threats on agriculture.

VII. Closing Remarks

In closing, Commissioner Goldsmith Romero, Commissioner Mersinger, Commissioner Johnson, and Chairman Behnam expressed enthusiasm for the excellent discussion and stated they were looking forward to future discussions.

Ms. Weyls adjourned the meeting at 12:50 p.m.

Brigitte Weyls

2/14/2023

Brigitte Weyls
AAC Designated Federal Officer and
Acting Chair

Date