

**MINUTES OF THE APRIL 5, 2022 MEETING OF THE
U.S. COMMODITY FUTURES TRADING COMMISSION'S
AGRICULTURAL ADVISORY COMMITTEE**

The Agricultural Advisory Committee (“AAC”) convened for a virtual public meeting on Wednesday, April 5, 2023, at 9:00 a.m. The meeting consisted of two presentations, a panel, and a discussion on future AAC meeting topics. The first presentation discussed agricultural data and analytics. During the panel, there was discussion of sustainable biofuels production. The second presentation discussed maritime issues impacting the agricultural economy.

AAC Members in Attendance

Buddy Allen, American Cotton Shippers Association
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
Ed Elfmann, American Bankers Association
Thomas Haag, National Corn Growers Association
Thomas Hayden, Jr., Commodity Markets Council
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
Dr. Cynthia Nickerson, U.S. Department of Agriculture/Office of the Chief Economist
Edward Prosser, The Scoular Company
Michael Ricks, Cargill
Bella Rozenberg, International Swaps and Derivatives Association
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 Uhlmeier, Demeter Logistics
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
Swati Shah, Special Counsel, Division of Market Oversight, and AAC Designated Federal
Officer (“DFO”)

Invited Speakers in Attendance

Sara Menker, Gro Intelligence
Kathy Bergren, National Corn Growers Association
Devin Mogler, Green Plains, Inc.
Alexa Combelic, American Soybean Association
John Duff, National Sorghum Producers
Daniel Maffei, Chairman, Federal Maritime Commission

I. Opening Remarks

Ms. Shah called the meeting to order. Chairman Behnam, the Sponsor of the AAC, provided opening remarks. He thanked Ms. Shah, the new DFO, and Mr. Herndon, the new Chairman of the AAC. He recognized the participating Commissioners and the guest speakers. He thanked all members for their service on the Committee.

Commissioner Goldsmith Romero, in prerecorded remarks, recognized the recent celebration of the 50th National Agricultural Day and thanked the Committee for its contributions to the American economy and global economies. She outlined the severe headwinds that the agricultural sector has faced over the last three years. She commended the agricultural community for their grit and resilience to provide food, fuel, and fiber and drive the economy during challenging times. She mentioned the Department of Agriculture’s efforts to boost homegrown biofuels and Department of Energy funding for biofuel production.

Next, Commissioner Mersinger, also in prerecorded remarks, thanked all participants. She highlighted the critical importance of sustainable biofuels production, data analytics, and the waterways issues that impact the movement of agricultural products to reach international markets.

Commissioner Johnson, participating from Nairobi, Kenya, thanked each of the members of the AAC for joining and Chairman Behnam for his leadership of the AAC and Ms. Shah for her service as DFO. She expressed hope that she would be able to share lessons learned by the AAC with the agricultural sector in Nairobi, Kenya, and return to the United States with lessons learned from her trip.

Ms. Shah then proceeded with the roll call and turned the meeting over to Chairman Herndon.

II. Presentation 1: Agricultural Data and Analytics

Chairman Herndon introduced Ms. Menker. Ms. Menker presented slides on the main macro themes that Gro Intelligence as a data and analytics company sees around global agricultural markets. She surveyed agricultural price changes in local currency since the start of

2020 and observed that the food inflation story is global and persistent. She discussed the intersection of U.S. dollar food import expenditures and the repayment of foreign currency denominated debt. She observed that fertilizer prices continue to decline but affordability continues to be a problem where there is a currency crisis. She highlighted persistent drought across 75 percent of the world's wheat producing regions at a time when global wheat inventories remain very tight and Ukrainian acreage has declined. She discussed the effect of high snow depth levels on corn plantings in the United States. She contrasted too much snow in the Northern Plains with too much drought in the Southern Plains. She discussed projected corn and soybean yields in South America, with Brazil expected to make up for lost corn production in Argentina. She highlighted record drought levels for the rice and wheat producing areas of China, which is becoming increasingly reliant on global grain imports. She explained the Gro Intelligence drought index weighted by wheat and rice as applied to Europe. She discussed drought conditions in North Africa and the Middle East, major importers of food generally and wheat in particular. She identified two major changes on the demand side: China becoming a structural importer of grain and the continued increase in demand for biofuels. She discussed the effect of the increase in demand for protein on the animal feed market, and the competition between vegetable oils for human consumption and industrial use.

Chairman Herndon opened the floor to questions and comments from the AAC membership. Ms. Menker answered a question about the percentage of grains exported from the United States to China as compared to the rest of the world, and committed to share her slide deck and projections about vegetable oil after the meeting. Chairman Behnam asked whether Ms. Menker could detect any changes in weather patterns that would relieve pressure in the Northern or Southern Plains, and she discussed the effects of volatility and variability on the predictability of markets and the inputs needed to hedge.

III. Panel on Sustainable Biofuels Production

Chairman Herndon introduced the second panel. Mr. Haag stated that biofuels are a key market for corn growers. Ms. Bergren followed with a discussion of policy developments. On the federal level, the Inflation Reduction Act included a clean fuel production tax credit. She then discussed state level policies that are helping drive toward lower carbon intensity in agriculture and biofuels. She emphasized that changes to production practices should remain voluntary, and that farmers' information and data should be well protected.

Ms. Mapes presented an overview of innovation in biofuels and how the biofuels industry can help economic development in rural America. She described Green Plans' diversification away from ethanol and transformation to the biorefinery platform of the future. She described some of their newer products. She provided background on renewable fuel standards and how they incentivized biofuel production. She detailed some of the positive uses of the corn crop that goes into biofuel production and concluded with a discussion of the move to low-carbon fuel standards.

Mr. Mogler began by discussing the clean fuel production credit created as part of the Inflation Reduction Act. He stated that it is designed to be a technology-neutral fuel tax credit for incentivizing the reduction in carbon intensity. He expressed the hope that the Treasury

Department, when promulgating regulations, would allow climate-smart agricultural practices to contribute. He then discussed the \$220 billion included in the Inflation Reduction Act for working lands conservation programs.

Mr. Hooker explained that the American Soybean Association represents over 500,000 soybean farmers in 26 states and some multi-state organizations. He then introduced Ms. Combelic. Ms. Combelic presented a primer on biomass-based diesel and renewable diesel. She discussed efforts to lower carbon intensity scores, and traditional petroleum companies who are now interested in diversifying their portfolio and moving toward more renewable diesel and biodiesel services. She observed that the soybean production process creates a larger web of logistical challenges to qualify for incentives in terms of tracing the carbon intensity and capturing carbon benefits from the farm to end product than does corn.

Mr. Duff provided background on the amount of sorghum used in fuel ethanol production and sold under the low-carbon fuel standard. He discussed other fuel standards, and observed that the Department of Treasury will be setting a low-carbon fuel standard in regulations under the Inflation Reduction Act. He outlined the challenges to changing on-farm practices and reducing the lifecycle emissions of fuels in the supply chain in order to comply with requirements to reduce emissions under various programs. He described how National Sorghum Producers used a climate-smart grant to establish a data platform to capture data on the value of on-farm practices to demonstrate that emissions reductions are actually taking place.

Chairman Herndon opened the floor to questions and comments from the AAC membership. In response to questions from Mr. McHargue, Mr. Mogler discussed how farmers can monetize the benefits of improved practices and producers can obtain a certified carbon intensity score, progress on carbon pipeline projects, and whether on-farm practices will qualify for carbon reduction under the Treasury regulations. Mr. Hayden asked about the 45Z tax credits outlined in the Inflation Reduction Act, and Mr. Mogler said he would follow up with Mr. Hayden. In response to a question from Chairman Herndon, Ms. Mapes discussed the growth path for sustainable aviation fuel and Mr. Mogler discussed regulatory requirements. Ms. Bergren mentioned corn growers' preference that Treasury rulemakings use the Department of Energy's GREET model.

Chairman Behnam thanked the speakers and suggested that the Committee continue the discussion around carbon intensity and getting accurate scoring metrics applied.

Ms. Shah announced a fifteen-minute break.

[Recess taken from 10:46 a.m. to 11:16 a.m.]

IV. Presentation 2: Maritime Issues Impacting the Agricultural Economy

Following the break, Chairman Herndon introduced the next panelist, Mr. Maffei, who participated by telephone. He discussed supply chain challenges that have affected agricultural producers and their ability to get their products to overseas markets. He gave an overview of the Federal Maritime Commission (FMC), which oversees transportation service between the U.S.

and foreign ports provided by companies that operate ocean cargo-carrying ships that offer their services to the general public. He described The Shipping Act, the regulatory work of the FMC, and the deregulation of international ocean shipping in the 1980s. He described the work of the FMC's Bureau of Investigations, Enforcement and Compliance and the Consumer Affairs Office. He stated that the pandemic and the boom in demand for imported goods has spurred unprecedented problems with port congestion and spiraling freight costs and provided examples of some pressures and challenges. He observed that the worst of the supply chain problems have abated but some remain to be solved. He highlighted the FMC's work against excessive fees and their new fast track charge complaint process. He credited the Ocean Shipping Reform Act of 2022 ("OSRA") as the first major change in the international ocean freight shipping laws in nearly a quarter of a century. He discussed the unpredictability of future events that could affect ocean shipping supply chains relevant to agricultural groups. He outlined how domestic shipping issues intersect with international shipping issues, and the many foreign and domestic regulators whose jurisdiction abuts the FMC's. He concluded with a statement of the FMC's commitment to constituent services.

Chairman Herndon opened the floor to questions and comments from the AAC membership. Mr. Allen asked whether OSRA adequately expanded the FMC's jurisdiction across the entirety of the maritime bill of lading and with respect to cargo receiving. Mr. Maffei responded that it depends on the kind of solution sought. He stated that somebody should have the authority to regulate intermodal shipping issues. Mr. Hayden raised the issue of chassis choice, and Mr. Maffei responded that he could not comment on particular administrative appeals before the FMC. In response to Chairman Behnam, Mr. Maffei offered his perspective on shipping and ports issues relating to trade with China.

V. Member Discussion: Agenda for the 2023 AAC Meeting

Chairman Herndon opened the floor to take suggestions for topics for AAC's next meeting scheduled for July 19, 2023. Mr. Barker suggested CME's SPAN margining program, Mr. Prosser suggested the Commission's role in price discovery as it relates to biofuels and carbon credits, Mr. Barker suggested new green listed products, Mr. McHargue suggested and inquiry into why some basic market data remains behind paywalls.

VI. Closing Remarks

Chairman Herndon thanked participants. Ms. Shah recognized Chairman Behnam, who gave closing remarks.

Ms. Shah adjourned the meeting at 12:00 p.m.



Scott Herndon, AAC Chair

10/30/2023

Date