

1 U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC)

2 AGRICULTURAL ADVISORY COMMITTEE (AAC)

3

4 Wednesday, April 5, 2023

5 9:00 a.m.

6

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9

10 BEFORE:

11 Rostin Behnam, Chairman, CFTC and AAC Sponsor

12 Kristin N. Johnson, Commissioner, CFTC

13 Caroline D. Pham, Commissioner, CFTC

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1 P R O C E E D I N G S

2 MS. SHAH: Good morning. As the designated
3 Federal officer of the Agricultural Advisory Committee,
4 it is my pleasure to call this meeting to order. I
5 would like to extend a warm welcome to Chairman Behnam,
6 Commissioner Johnson, and Commissioner Pham and thank
7 them for joining today's meeting. I would also like to
8 thank Commissioner Goldsmith Romero and Commissioner
9 Mersinger for their prerecorded remarks.

10 This is the first AAC meeting of 2023. And I
11 would like to start off by welcoming our new ACC chair,
12 Scott Herndon, and thank him for his leadership.

13 To ensure that today's virtual meeting goes as
14 smoothly as possible and the recording of the meeting is
15 complete and accurate, we ask that everyone please
16 remain on mute with your cameras off unless you are
17 speaking. When you are speaking, please identify
18 yourself and the organization that you represent on the
19 Committee before you begin speaking and signal when you
20 are done speaking so that we can continue with the next
21 speaker or question.

22 If you would like to be recognized during the

1 discussion for a question or comment, please use the
2 raise-hand function in Zoom. I will alert Scott that
3 you would like to speak during the Q&A that follows the
4 panelists' remarks and presentations. You can also send
5 me your questions directly via chat.

6 To begin the meeting, we are pleased to first
7 recognize Chairman Benham for his opening remarks,
8 followed by the Commissioners. Chairman Behnam?

9 COMMISSIONER BEHNAM: Thanks, Swati.

10 Good morning to everyone. Good early morning
11 to some probably in the Midwest or on the West Coast.
12 Really pleased to be here and really appreciate all the
13 work that many of the members have done so far.

14 We have a great morning scheduled. And, as I
15 mentioned when we last met in December of last year, I
16 was so pleased with the contributions and the ideas that
17 were shared by the members. So my goal here for 2023 is
18 to discuss as many issues as we can and then certainly
19 continue that into 2024. But here we are, just a few
20 months after the last meeting. We are going to have a
21 nice, short, but very efficient meeting, with three
22 different panels, and then continue this work throughout

1 the year. And I think we're going to really have an
2 opportunity to dig into some of these issues and really
3 just encourage the Committee members to keep sharing
4 with us your views, your interests, and how we can best
5 accommodate and facilitate a healthy discussion around
6 these issues and then potentially come up with policy
7 responses from the Commission or at least
8 recommendations to the Commission.

9 So, with that, I certainly want to thank Swati
10 as our new DFO. She's going to be fantastic. And I'm
11 sure many of you have been working with her in the past
12 few weeks but certainly in the past month or two and
13 really pleased with her willingness to be DFO. And I
14 think she's going to lead the Committee in a very
15 positive way and, of course, a huge thanks to Scott to
16 be chair. This was obviously an incredibly important
17 role. And I appreciate Scott stepping up and offering
18 his services to the Committee and his experience, which
19 I think will be invaluable.

20 I do want to recognize and thank my fellow
21 Commissioners for joining, some in person, Commissioner
22 Johnson it sounds like and Commissioner Pham. And we'll

1 hear some brief remarks from Commissioners Mersinger and
2 Goldsmith Romero.

3 I also do want to recognize we have some guest
4 speakers. We're going to have, as I mentioned, a great
5 panel. We're going to kick it off with Sara Menker, who
6 is the founder and head of Gro Intelligence. It should
7 be a really fascinating conversation about ag markets
8 generally from macro view, so really excited about that
9 and appreciate Sara's time; also, Kathy Bergren, Devin
10 Mogler, Alexa Combelic, and John Duff, who we'll hear
11 from in the middle of the meeting; and then a real
12 special thanks to the Honorable Dan Maffei, chairman of
13 the Federal Maritime Commission. Dan's a friend, and I
14 think it's going to be a unique opportunity for us to
15 hear from the chair of the Maritime Commission about
16 some of the issues that he's dealing with on a global
17 scale, but given his expertise around maritime issues
18 and the importance of shipping, which I know is an issue
19 of importance for the Committee, it'll be really helpful
20 to hear from the chairman.

21 So looking forward to the morning, looking
22 forward to engagement questions from the group. But,

1 above all else, I want to end with this. I want to
2 thank every single member of the Committee. As you
3 know, I say this all the time. Your time, your service
4 is important public service. It's a great service to
5 the Commission and the country. We appreciate you
6 spending time and sharing your views because this is the
7 way we can do our job better at the Commission so that
8 we can improve our rules and the way we think about
9 agriculture, production agriculture, and how our markets
10 impact your daily lives, obviously a diverse group and
11 one that I'm very proud of that we were able to convene
12 but, again, couldn't thank you all enough for your
13 continued support and commitment to this Committee, to
14 the agency and the country.

15 So, with that, Swati, I'll hand it back over
16 to you and looking forward to a great discussion this
17 morning.

18 MS. SHAH: Thank you, Chairman Benham.

19 Now for prerecorded remarks from Commissioner
20 Goldsmith Romero.

21 COMMISSIONER GOLDSMITH ROMERO: Good morning.
22 Americans just celebrated the 50th National Agricultural

1 Day. So my biggest message to you today is thank you.
2 We celebrate your contributions to the American economy
3 and global economies.

4 Now it used to be that when someone turned 50,
5 there was a big party. So a virtual meeting today seems
6 not enough to celebrate this milestone. I think it
7 would have been fitting if we had a celebration today,
8 at least some cake, to thank you for feeding our Nation
9 and driving our economy. So I'll talk to Chairman
10 Behnam and ask him if next time he can get you some
11 cake. Let me also recognize him and thank him for his
12 sponsorship of AAC.

13 The ag sector has faced severe headwinds over
14 the last three years. Pandemic-related supply chain
15 disruptions, labor and transportation shortages, and
16 Russia's war on Ukraine that impacted energy and food
17 prices and market volatility have brought unprecedented
18 challenges. I am glad to have had the chance to meet
19 with many of you to hear about the specific issues and
20 challenges that you have faced.

21 International shipping is a challenge that I
22 have heard from several groups. And when I toured

1 Michigan's largest grain handler, Michigan Agricultural
2 Commodities Inc., I met with two twin brothers who took
3 over the business from their father. They ship soybeans
4 to Asian countries for tofu and other food products. So
5 they told me about the problems they had and
6 uncertainties they have faced with trying to ship
7 internationally.

8 Uncertainty about the availability of the
9 Black Sea Corridor and access to China during the
10 lockdowns, concerns about ship queues, congestion, and
11 unpredictable shipping have had very real impacts.
12 Freight rates soared. And there were concerns about
13 shipping companies taking advantage of the situation.
14 It's one thing to read about shipping issues for me, but
15 it's another to stand on the loading dock with them,
16 looking at the food that needed to be shipped as soon as
17 possible.

18 I look forward to hearing today from the
19 chairman of the Federal Maritime Commission, who
20 recently testified before Congress that the ocean
21 freight transportation system is much improved and that
22 the ship queues and congestion that overwhelmed the

1 supply chain for approximately two years have
2 drastically dissipated, and that costs have gone down to
3 pre-pandemic levels. I hope that is providing much
4 needed relief to our farmers and producers. I am also
5 interested in hearing about his commission's enforcement
6 actions to keep freight and fees fair.

7 I want to commend our agricultural community
8 for their grit and resilience to provide food, fuel, and
9 fiber and drive our economy during these challenging
10 times.

11 I also look forward to the discussion on
12 sustainable biofuel. Prior to coming to the CFTC, my
13 experience related to biofuel was in ensuring that
14 SIGTARP's law enforcement fleet met the federal
15 requirements for the E85 fuel blend. And this year, I
16 was able to tour a biofuel plant that produces 53
17 million gallons of ethanol annually, consuming 18
18 million local bushels of corn. They spoke to me about
19 reduced emissions, showed me their total water recovery
20 system, and also the livestock feed byproduct.

21 The Biden Administration announced Department
22 of Agriculture efforts to boost homegrown biofuels to

1 enable energy independence and bring relief from rising
2 fuel prices when they were rising in the spring, last
3 spring and the Department of Energy funding for biofuel
4 production. I am interested in Committee members' views
5 on these and other efforts, on biofuel's ability to
6 reduce carbon emissions, and understanding the market
7 better for biofuel derivatives products.

8 I am glad that we are speaking today about
9 issues that are foundational to our commodities and
10 derivatives markets. The derivatives markets have
11 served as a critical tool for our farmers, ranchers, and
12 producers to manage risk during these unprecedented
13 times. As advisors to the Commission, you play an
14 important role, and I very much value your opinions.
15 Have derivative markets been adequately serving your
16 needs? Are there additional actions that you believe
17 the CFTC should take to promote market resilience,
18 vibrancy, and integrity?

19 I look forward to hearing your thoughts on
20 these important issues and extend my great appreciation
21 for the 50 years and more. Thank you.

22 MS. SHAH: We thank Commissioner Goldsmith

1 Romero for her remarks.

2 And now for prerecorded remarks from
3 Commissioner Mersinger.

4 COMMISSIONER MERSINGER: Good morning. And
5 thank you to all of the participants joining today to
6 take part in the second Agricultural Advisory Committee
7 meeting under Chairman Behnam's sponsorship. Given the
8 fascinating presentations and the level of discussion
9 during the previous AAC meeting, I expect today's
10 meetings to be just as robust and informative.

11 We learned so much from the CFTC's Advisory
12 Committee meeting. And the time and effort Advisory
13 Committee members and presenters put into their
14 presentations is greatly appreciated. The contributions
15 are invaluable.

16 The topics you will cover today are of
17 critical importance. And I'm very intrigued by the
18 discussion around sustainable biofuels production. I've
19 watched firsthand how the growth in the biofuels
20 industry has changed the trajectory of production
21 agriculture in my home State of South Dakota. In fact,
22 it will be 21 years this month since my first on-site

1 visit to an ethanol plant in April of 2022. This
2 particular plant is in Wentworth, South Dakota, and it
3 was and still is an investor-owned venture with the
4 producers and community as the investing members
5 creating a new and exciting financial opportunity for
6 this small, rural community and the many farm families
7 residing in the area. At the time of my visit, I was
8 struck by how proud these individuals were to be a part
9 of this process. Not only were they part of an effort
10 to create a more sustainable, renewable fuel for our
11 economy, but they were doing their part to end the
12 United States' dependence on foreign sources of oil.

13 More recently, in 2019, a dry mill biofuels
14 plant in my hometown of Onida, South Dakota, began
15 producing biofuels. This plant anticipates using 25
16 bushels of corn a year to produce 70 million gallons of
17 ethanol. In addition to the biofuel production, this
18 mill will also produce 12.5 million pounds of corn oil.
19 Economic development in small towns like Onida has been
20 an ongoing struggle, and projects like the new ethanol
21 plant are vital to the long-term survival of the rural
22 economy.

1 I am also looking forward to the other
2 presentations today around data and analytics as well as
3 a deeper discussion into the waterways issues that
4 impact the movement of agricultural products to reach
5 international markets. Access to foreign markets is
6 vital to our farmers and ranchers, and constraints in
7 getting their products to these markets has significant
8 impacts, not just on the U.S. farm economy but on the
9 world economy.

10 Thank you again to all of the presenters,
11 Advisory Committee members, and others joining in
12 today's meeting. I want to say a special thank you to
13 the CFTC team for ensuring that we can host these
14 meetings. And I also want to say a quick welcome to
15 Swati Shah, the new designated federal officer for the
16 AAC. I've been very impressed by Swati in my
17 interactions with her through her role in our Division
18 of Market Oversight, and I am certain she will impress
19 all of you as the designated federal officer of the
20 Agriculture Advisory Committee. Thanks again to
21 Chairman Behnam and to the AAC members for this
22 opportunity to greet you this morning.

1 MS. SHAH: We thank Commissioner Mersinger for
2 her prerecorded remarks.

3 So at this point, Scott, I'm going to turn the
4 meeting over to you.

5 CHAIRMAN HERNDON: Great. Thank you so much,
6 Swati. And thank you, Chairman Benham, Commissioner
7 Johnson, Commissioner Goldsmith Romero, Commissioner
8 Mersinger, and Commissioner Pham. I'm honored to be a
9 member of the AAC and now serving as the chair.

10 The Committee serves an important role in
11 helping the Commission in identifying and assessing
12 issues affecting agricultural producers, consumers,
13 processors, lenders, other major market participants,
14 including derivatives, intermediaries, buy-side
15 representatives, and exchanges, regulators, and others
16 interested in or affected by the agricultural
17 derivatives markets through public meetings.

18 Today's meeting serves as a timely opportunity
19 to discuss markets, sustainability, and biofuels
20 production, and shipping, as well as other topics the
21 Commissioners or members raise. As chair, I look
22 forward to facilitating the discussion of the members'

1 perspectives to the AAC and working with the AAC members
2 to provide the Commission with feedback and
3 recommendations that assist the agency in its oversight
4 of our markets.

5 To ensure that today's discussion is
6 consistent with the AAC charter, no determination of
7 facts or policies shall be made by the AAC on behalf of
8 the Commission. Determinations of action to be taken
9 and policy to be expressed with respect to the reports
10 and/or recommendations of the AAC shall be made solely
11 by the Commission.

12 So now, before we begin our first panel, we
13 would like to do a roll call, the members and guest
14 panelists, so we have your attendance on the record.
15 Swati will lead that roll call.

16 MS. SHAH: Thank you very much. Before I
17 proceed with the roll call, I'd like to check in to see
18 if Commissioner Johnson has been able to join us. I
19 think we are having some technical difficulties. We'll
20 proceed with the roll call.

21 COMMISSIONER JOHNSON: Can you hear me, Swati?

22 MS. SHAH: We can hear you. Thank you.

1 COMMISSIONER JOHNSON: Thank you so much. I
2 am surprisedly joining you from Nairobi, Kenya. I
3 apologize for the technical difficulties logging in. If
4 you could see the configurations that I've used in order
5 to connect with the meeting today, you would know how
6 much it means to me to be present.

7 I want to thank each of the members of the AAC
8 for joining and Chair Behnam for his leadership of the
9 AAC and Swati for her service as DFO. I'm excited to
10 talk lots about the issues that you're covering today,
11 in large part, because they have been the substance of
12 the discussion here during my visit in Nairobi, Kenya.

13 I have had the great and distinct pleasure of
14 meeting with professionals across agricultural markets
15 and among the largest regulators here in Kenyan markets
16 as well as in other regional markets in the area during
17 a visit that we aspire, as a result of significant
18 efforts by the Office of International Affairs, might
19 lead to a (audio connection failure) project and
20 technical assistance. What I can share is that there is
21 a mutual path to learning about the very topics that are
22 the focus of the agency today. Biofuels and data are at

1 the top of the list here in Kenya as this, much like our
2 own country, is a country deeply committed to the
3 agricultural economy, the agricultural industry, and its
4 contributions to the economy.

5 I have had the great pleasure of spending time
6 and will happily post pictures to Twitter of my visits
7 with Maasai Farmers. I have the great pleasure of
8 herding Maasai cattle the very old-fashioned way with a
9 spear and a stick. And I have to share that it was
10 exciting and as fun as my ability to do the same in
11 Central Texas, when I visited a farm and a ranch there
12 last summer.

13 I think the conversations happening today are
14 important conversations that really are at the heart of
15 the development, continuing, development of our markets.
16 And so I'm sad that I cannot be there with you, but I am
17 hopeful that you would appreciate that I'm wearing my
18 ambassador's hat on behalf of the CFTC. And I'm hopeful
19 that many of the lessons that we're learning we can
20 share here with the agricultural sector in Nairobi,
21 Kenya. And many of the lessons I'm learning here in
22 Nairobi, I hope to bring back to the United States.

1 I'm grateful for your service always and for
2 your commitment to improving our understanding at the
3 Commission. And certainly for me as a Commissioner with
4 limited personal background in this sector of the
5 economy, I've just gained so much. I've learned so much
6 from each of you and your service and so many in the
7 market. I hope to continue expanding my understanding
8 as a result of the presentations today. And I look
9 forward to the opportunity to spend time with you once
10 again when I'm back home in the United States. Headed
11 back tomorrow, in fact.

12 Thanks so much, Swati. Thanks so much, Chair
13 Behnam. And thank you so much, AAC members.

14 MS. SHAH: Thank you, Commissioner Johnson.

15 We will now proceed with the roll call. AAC
16 members, after I say your name and organization, please
17 indicate that you are present. Please make sure that
18 your phone is not muted. If we are unable to hear your
19 response, please send me a message via Zoom chat to
20 confirm that you are present on today's call so that I
21 can correct the record.

22 Buddy Allen, American Cotton Shippers

1 Association?

2 MR. ALLEN: Present.

3 MS. SHAH: Tim Andriesen, CME Group?

4 (No response.)

5 MS. SHAH: Joe Barker, National Council of

6 Farmer Cooperatives?

7 MR. BARKER: Present.

8 MS. SHAH: Chris Betz, Michigan Agri-Business

9 Association?

10 MR. BETZ: Present.

11 MS. SHAH: Robbie Boone, Farm Credit Council?

12 MR. BOONE: Present.

13 MS. SHAH: Layne Carlson, Minneapolis Grain

14 Exchange?

15 MR. CARLSON: Present.

16 MS. SHAH: Robert Chesler, United Dairymen of

17 Arizona?

18 MR. CHESLER: Present.

19 MS. SHAH: Gerry Corcoran, Futures Industry

20 Association?

21 MR. CORCORAN: Present.

22 MS. SHAH: Patrick Coyle, National Grain and

1 Feed Association?

2 (No response.)

3 MS. SHAH: Ed Elfmann, American Bankers

4 Association?

5 MR. ELFMANN: Present.

6 MS. SHAH: Edward Gallagher, National Milk

7 Producers Federation?

8 (No response.)

9 MS. SHAH: Thomas Haag, National Corn Growers

10 Association?

11 MR. HAAG: Present.

12 MS. SHAH: Thomas Hayden, Jr., Commodity

13 Markets Council?

14 MR. HAYDEN: Present.

15 MS. SHAH: Scott Herndon, Field to Market?

16 CHAIRMAN HERNDON: Present.

17 MS. SHAH: Thomas Hogan, Cocoa Merchants

18 Association of America?

19 MR. HOGAN: Present.

20 MS. SHAH: Jered Hooker, American Soybean

21 Association?

22 MR. HOOKER: Present.

1 MS. SHAH: Bryan Humphreys, National Pork
2 Producers Council?
3 MR. HUMPHREYS: Present.
4 MS. SHAH: Willis Kidd, Citadel?
5 MR. KIDD: Present.
6 MS. SHAH: Jeff Lloyd, Archer Daniels Midland?
7 MR. LLOYD: Present.
8 MS. SHAH: Michelle Mapes, Green Plains Inc.?
9 MS. MAPES: Present.
10 MS. SHAH: Mark McHargue, American Farm Bureau
11 Federation?
12 MR. MCHARGUE: Present.
13 MS. SHAH: Erin Morris, USDA?
14 (No response.)
15 MS. SHAH: Dr. Cynthia Nickerson, USDA?
16 DR. NICKERSON: Present.
17 MS. SHAH: Edward Prosser, The Scoular
18 Company?
19 MR. PROSSER: Present.
20 MS. SHAH: Michael Ricks, Cargill?
21 MR. RICKS: Present.
22 MS. SHAH: Bella Rozenberg, International

1 Swaps and Derivatives Association?

2 MS. ROZENBERG: Present.

3 MS. SHAH: Troy Sander, National Cattleman's

4 Beef Association?

5 MR. SANDER: Present.

6 MS. SHAH: Liam Smith, Futures Industry

7 Association, Principal Traders Group?

8 MR. SMITH: Present.

9 MS. SHAH: Stephen Strong, North American

10 Export Grain Association?

11 (No response.)

12 MS. SHAH: Curt Strubhar, Grain and Feed

13 Association of Illinois?

14 MR. STRUBHAR: Present.

15 MS. SHAH: Justin Tupper, U.S. Cattlemen's

16 Association?

17 (No response.)

18 MS. SHAH: Hayden Wands, American Bakers

19 Association?

20 (No response.)

21 MS. SHAH: Ryan Weston, American Sugar

22 Alliance?

1 MR. WESTON: Present.

2 MS. SHAH: Jason Wheeler, USA Rice Federation?

3 MR. WHEELER: Present.

4 MS. SHAH: We also have several guest

5 panelists today. After I call your name, please

6 indicate that you are present. Sara Menker, Gro

7 Intelligence?

8 MS. MENKER: Present.

9 MS. SHAH: Kathy Bergren, National Corn

10 Growers Association?

11 (No response.)

12 MS. SHAH: Devin Mogler, Green Plains, Inc.?

13 (No response.)

14 MS. SHAH: Alexa Combelic, American Soybean

15 Association?

16 MS. COMBELIC: Present.

17 MS. SHAH: John Duff, National Sorghum

18 Producers?

19 MR. DUFF: Present.

20 MS. SHAH: And Chairman Daniel Maffei, Federal

21 Maritime Commission?

22 (No response.)

1 MS. SHAH: Thank you.

2 Now I will turn the meeting back over to

3 Scott.

4 COMMISSIONER BEHNAM: Swati, just to make sure

5 you saw that Justin Tupper said he's present in the chat

6 box. So just make sure the record reflects that.

7 Thanks.

8 MS. SHAH: Will do. Thank you.

9 CHAIRMAN HERNDON: Thank you, Swati.

10 For our first presentation today, we will now

11 hear from Sara Menker, founder of Gro Intelligence.

12 Sara, now turning it over to you to start your

13 presentation. Thanks so much.

14 MS. MENKER: Thank you, Chairman Behnam and

15 Swati, for the invitation to present to the advisory

16 board. I think somebody's going to share my slides as I

17 sort of talk through. This presentation is really meant

18 to be a discussion on sort of the main macro themes that

19 we see as a data and analytics company around sort of

20 global ag markets and really sort of the state of global

21 ag markets as we see them through sort of multiple

22 lenses. And so in terms of sort of structure, what I'll

1 do is I'll go through an agenda that covers -- can you
2 go to the next slide, please? -- an agenda that covers
3 just a macro overview of where we are as a market,
4 covering things like food inflation globally, the link
5 to debt, fertilizer markets, where the market's
6 positioned today, and then jump into a conversation on
7 what we see from the supply side, really just doing a
8 quick sort of global sweep of as many regions as
9 possible, and then sort of going on to the demand side,
10 and what we sort of see as two major themes, which is
11 the reopening of China and biofuels.

12 So next slide, please. Next slide. Yep.
13 Perfect. So one thing to sort of keep in mind is,
14 really, that while the narrative around food and food
15 inflation seems to be dwindling, it's still a pretty
16 persistent and global problem. And it's being driven by
17 two things, right? It's a combination of increases in
18 global ag prices, really over the past three years,
19 again, not since the Russia-Ukraine war and not since
20 COVID -- that journey started before -- as well as
21 changes in local currency moves due to the strengthening
22 dollar. That obviously only got exacerbated by the

1 Russia and Ukraine war, but, frankly, a lot of those
2 price moves have sort of reverted back to pre-war
3 levels. And so what you're seeing here is a map that
4 looks at agricultural price changes in local currency
5 since the start of 2020. And so what this looks at is
6 it's a consumption weighted by country view of how much
7 prices have moved of a mix of essentially corn, wheat,
8 soybeans, rice, and a mix of vegetable oils, again
9 weighted by consumption. And what you'll see here is
10 that places like the U.S. are still up 66 percent over
11 the last sort of three years; whereas, if you look at
12 regions such as Africa, for example, where in Sudan,
13 because of currency moves, that number is really 2,000
14 percent; or Syria, where it's 700 percent. Turkey,
15 which has obviously been playing a huge role in sort of
16 Europe and sort of the role that it's played in the
17 Black Sea initiative, prices are up 422 percent over
18 sort of the last 3 years.

19 So the food inflation story and problem is
20 really persistent. It's very global and can lead to a
21 series of risks that are not being, frankly, discussed
22 at sort of the level they should be. So if we go to the

1 next slide, a slightly sort of different view of this
2 chart is just looking at Egypt, for example. So if you
3 look at imported wheat prices into Egypt, while wheat
4 futures are down 45 percent relative to their 2022
5 highs, wheat import prices into Egypt are essentially
6 almost at their all-time highs. They've come off a
7 little bit as the dollar has sort of weakened over the
8 past couple of weeks, but, essentially, that's all
9 driven by the Egyptian pound and so, really, which
10 futures are down 45 percent, which is sort of how the
11 world, again, benchmarks the reality. And the physical
12 reality on the ground in many parts of the world is
13 shifting and has shifted drastically and has not
14 reverted back to pre-war levels.

15 If we move to the next slide, this is an even
16 sort of more nuanced view of the first map that I
17 showed, which what you see on the y-axis is essentially
18 those price changes. And, frankly, we have to put them
19 on a logarithmic scale because of just how much prices
20 have moved over sort of the past three years. And,
21 then, on the x-axis, what you actually see is
22 outstanding debt that isn't foreign currency denominated

1 that's maturing in the next two years. And, obviously,
2 this is normalized by looking at it as a percentage of
3 GDP.

4 Why this becomes important to look at is that
5 food is imported in dollars and the currency and the
6 debt repayment is also going to happen mostly in
7 dollars. And so where do you use your dollars for as a
8 country: to import the food or to repay debt or to
9 default? I mean, if you look at a country like
10 Argentina, which is far out -- I mean, Lebanon is by
11 most the furthest out. So red dot resembles countries
12 that are net importers of food, and the blue dot
13 resembles countries that are net exporters of food. So
14 from a food security and sort of risk standpoint,
15 obviously importers versus exporters have slightly sort
16 of different risks associated with it, but we see what's
17 already happening in Lebanon today, right? And so when
18 you start to see countries like Turkey, Tunisia, Angola,
19 Sri Lanka, Egypt start to sort of bubble out because of,
20 again, this foreign currency denominated debt issue
21 that, frankly, didn't exist during the last sort of '07-
22 '08 crisis, because fundamentally markets have changed

1 in terms of issued foreign currency denominated debt by
2 countries, which were mostly done through the markets
3 and market mechanisms, this can start to lead to
4 political instability if we do not start to also start
5 to address the foreign currency debt situation in a lot
6 of emerging economies and countries, especially when you
7 look at it through the lens of, again, of these
8 countries, what percentage of total expenditures go into
9 food expenditures, right? So if you're looking at
10 countries in sub-Saharan Africa, you're looking at food
11 expenditure being 50-60 percent of total expenditure for
12 a household.

13 Next slide. So that's sort of from just a
14 macro and price standpoint. Now, on the positive
15 fertilizer prices, which had been a massive issue in
16 2022, continue to decline. And this is an index that
17 we've developed which is called the Fertilizer
18 Affordability Index. And this is looking at the U.S.,
19 in particular, which looks at the relationship between
20 the input costs and crop prices, has bounced off the
21 record low readings for affordability for mid-2022. So,
22 as you can see, this chart goes back to 2015. And it's

1 essentially sort of reverting again that that trajectory
2 over the past few months means that we should expect to
3 see increased consumption of macronutrients relative to
4 last season as a result. That is good, but, again,
5 affordability continues to be an issue in regions where
6 there is a currency crisis because, again, that gets
7 imported in dollars. So this is a very U.S.-centric
8 view but really matters a lot, obviously, given that the
9 role that the United States plays in sort of global ag
10 markets and the exports of agricultural products.

11 Next slide. This is a view of actually
12 fertilizer essentially production costs and plant
13 capacity from a global level. So if you look at the red
14 bar charts, that's where we were in the highs of
15 basically fertilizer production costs stewed in natural
16 gas prices skyrocketing and LNG prices skyrocketing last
17 summer. And so we've gone in a world where in the EU
18 and in Europe, in the U.K. and Japan, Korea, where LNG
19 is sort of the source of gas, where that affordability
20 factor has significantly increased, right? So
21 production costs of ammonia fertilizer and retail price
22 relative to retail prices have significantly normalized.

1 And what you see is the line chart that goes across is
2 essentially the retail prices, the current retail
3 prices, in the EU and the U.S. And so you'll see that
4 essentially because of that, operating capacity has gone
5 back up. So last summer in Europe, plants were
6 operating at 30 capacity rates. They're now operating
7 at 70 percent, so not fully back at 100 percent but
8 essentially in significantly better conditions than we
9 were last summer. So this is sort of just going
10 through, again, the fertilizer piece of the equation.

11 Next slide. So now we say, how is the market
12 positioned? And this is just again a very sort of quick
13 view using CFTC data. Essentially, we see a market
14 today where speculators are short wheat and bean oil but
15 long soybeans and soybean meal. And, on the other hand,
16 producers are very short soybeans, soy meal, and bean
17 oil. And why does this matter as we sort of go into the
18 supply and demand conversation I think will be an
19 interesting lens to have. So we move to the next
20 section, which is on just a view of supply and
21 agricultural supply and where we see it today.

22 Next slide. And you can skip that next one,

1 too, and move to the next. Perfect. So we're actually
2 at a critical moment for world wheat production. So,
3 again, as I showed sort of in the charts earlier and
4 sort of mentioned, wheat futures are down 45 percent
5 since their highs last year. Today, over 75 percent of
6 world wheat production is currently planted and growing.
7 What we also know is drought in wheat-growing areas is
8 actually at over a 20-year high across in-season wheat-
9 growing regions. And this is looking at our drought
10 index weighted to regions that are currently growing
11 wheat. So you'll see a list of the countries here that
12 are currently in sort of their growing season weighted
13 by wheat. This obviously is shocking because it's not a
14 narrative that's sort of being shown, but, essentially,
15 what you see is the red line is where we are in 2023,
16 today, relative to the last -- again, these charts go
17 back 20 years. So all the gray lines are the last 20
18 years. And, then, the blue sort of line is where we
19 were in 2022. So we've never seen this much sort of
20 persistent drought across, again, 75 percent of the
21 world's wheat-producing regions. And so we'll sort of
22 go further into each region a little more but I think

1 important to set the stage here.

2 Next slide, please. So this is obviously
3 happening at a time when global wheat inventories are
4 actually still very tight. So this is the stocks. This
5 is a chart of the stocks-to-use ratio of just the major
6 wheat exporters. So, again, when the wheat exporters
7 are really all we sort of can look into in terms of what
8 is sort of available in the market for purchases,
9 stocks-to-use ratios are not as low as what we've seen
10 before, but they're still tightest level since '08, when
11 measured as a percentage of annual demand. Major
12 exporters, obviously, it's sort of listed here.

13 And this is also happening in the context of
14 planted area in Ukraine this year is actually down 20
15 percent year-on-year. This is fundamentally different
16 from where we were last year because last year we had an
17 issue of getting grain out, but the planting had already
18 occurred at the start of the war. So this year you have
19 actually acreage declines that have occurred fun
20 fundamentally because of the war. And that's where
21 we're starting to see that play out now.

22 So next slide. So if we now sort of say let's

1 park the wheat conversation and then look at what's
2 happening in the U.S. sort of just -- and we're going to
3 go region by region in terms of what the main themes
4 are. I think one of the major things in the U.S. is
5 snow depth can delay corn plantings. I mean, we have
6 just never seen snow levels this high. And so the first
7 chart on the left is basically looking at foreign area-
8 weighted snow depth. And you'll see this goes back
9 again to 2000. We haven't seen snow depth at this
10 level. When you look at the Dakotas, which have had
11 significant prevent plant issues last year and in 2019,
12 these snow depth levels or levels, really, we, frankly,
13 have not seen, but this issue is persistent pretty much
14 across the corn-growing regions across the U.S., but the
15 Dakotas and the Northern Plains really standing out. So
16 this will that certainly lead to delayed corn planting
17 but can also start to create significant prevent plant
18 issues as sort of the season progresses.

19 Next slide, please. And, then, in the
20 Southern Plains, you have the opposite, which is drought
21 sort of continues in 2023. And so, again, this is
22 looking at the Gro Drought Index, but this time, it's

1 weighted by NASS' winter wheat area and masks. And so
2 you'll see that, 2023 levels, the red line is running
3 above 2022 levels. In season, red winter wheat yield
4 forecast model currently points to yields as poor as
5 last season, which was already a 15-year low. And the
6 most recent good to excellent condition data that was
7 released currently shows that those conditions are 2
8 percent below last year. So our forecast model seems
9 pretty consistent with what we're seeing in the good to
10 excellent conditions reports as well. And so Northern
11 Plains, too much too much snow; Southern Plains, too
12 much drought.

13 Next slide. Then we move on to South America.
14 So Argentina, corn, soybeans, both drought conditions,
15 really sort of significantly impacted both corn and
16 soybean yields in Argentina. And this was obviously due
17 to third year of La Niña, which we're going to come out
18 of, but our models projected lows for both Argentina
19 corn and soybeans. So looking at 5.83 tons per hectare
20 for corn and 2.2 tons per hectare for soybean.

21 CHAIRMAN HERNDON: Sara? Sara?

22 MS. MENKER: Yes?

1 CHAIRMAN HERNDON: Apologies. I just wanted
2 to recognize Commissioner Johnson. I want to get her
3 question before she goes out of service.

4 MS. MENKER: Sure.

5 COMMISSIONER JOHNSON: Sorry, Chairman Behnam.

6 MS. MENKER: I can't see anything. So glad to
7 be interrupted.

8 CHAIRMAN HERNDON: Yes.

9 (Pause.)

10 CHAIRMAN HERNDON: It looks like we lost her.

11 MS. MENKER: All right. I'll get the question
12 later. We can go back to the slides.

13 So South America. I was talking about sort of
14 drought. And so what you see here is the blue line is
15 sort of where our projections were running throughout
16 the growing season. And the adjustments obviously that
17 had been made by the USDA over the past few months are
18 soybean yields are now pointing to actually slight
19 improvements towards the very tail end, so slightly
20 higher than sort of USDA estimates but, frankly, in line
21 and, then, with corn yields slightly below. So, again,
22 Argentina has had significant sort of issues, but, then,

1 the positive out of South America has been Brazil.

2 If we go to the next slide, we'll make up for
3 the lost production from Argentina. And that's sort of
4 seen in the next, if we move to the next slide. Yes.

5 So Brazil is expected to produce another record corn
6 crop this year. So this is supported by both an
7 increase in planted area as well as healthy yield. So
8 our yields, our current yield, forecasts running at 5.72
9 tons per hectare, again, there's a confidence interval.
10 These models update every day and with new information
11 and environmental data. But it's up significantly from
12 last year's final projection of 5.34 tons per hectare.
13 So, again, a combination of increased area and increased
14 yield will definitely help balance out Argentina's drop
15 in corn production and will tie into sort of the demand
16 story and as we sort of tie in to demand later on.

17 So now let's move to the next region: China.
18 So in China, you essentially have a continuation of the
19 drought theme. So this is mostly in rice and wheat,
20 record levels in wheat- and rice-growing regions across
21 China for drought. This obviously becomes increasingly
22 important to monitor because China is increasingly

1 becoming reliant on global grain imports. And so the
2 volumes that we're looking at in terms of import needs
3 are significantly higher than where we were even four or
4 five years ago. And so looking at growing conditions
5 and sort of yields is really important, but from an Asia
6 standpoint, China certainly is sort of the big story.

7 There is heat stress coming into India. Our
8 models are not reflecting as much of a hit to potential
9 yields as some of the numbers out there. In China,
10 again, it's actually not reflected in the yields yet,
11 but I think a lot of that will start to sort of play out
12 in the next month. But looking at just fundamental sort
13 of drought levels over the last 20-23 years, we're
14 looking at levels that are highest than what we've ever
15 seen, in wheat, significantly sort of higher than last
16 year and much worse than last year, but the highest in
17 the last 20. And the same goes sort of for rice.

18 So next slide. It's an identical story in
19 Europe. And this obviously matters quite a lot given
20 the context of the war, the Russia-Ukraine war, but this
21 is looking at the drought index weighted by wheat, on
22 the left hand side, and weighted by rice, on the right-

1 hand side. So you will see that in both of those cases,
2 it's sort of far beyond levels we have actually ever
3 seen at this time of the year. And this is obviously
4 really important given that the wheat crop is currently
5 coming out of dormancy. And so where this starts to
6 sort of have effects is and one thing to keep in mind
7 with rice is that rice has not been a part of the
8 conversation over the past few years because we've
9 actually had a series of very healthy sort of global
10 crops on rice. And this is sort of the first year where
11 we're starting to see real threats to it. After a year
12 like last year, where a lot of the major exporters did
13 use rice from inventories for export needs in regions
14 like sub-Saharan Africa or a huge consumer like China,
15 having record rice drought, combined with regions like
16 the EU, it starts to be an area really worth paying
17 attention to.

18 Next slide. And, then, finally, the MENA
19 region. So northern Africa and the Middle East
20 obviously are major importers of food in general and, in
21 particular, in wheat. Northern Africa is experiencing
22 its second consecutive major drought and fourth in the

1 last five years. And so this is sort of becoming,
2 again, a very persistent problem, not one that comes and
3 goes. And so 2022 was certainly a record at this time
4 of the year. And 2023 now shows that it's in more
5 severe drought conditions than we were in in 2022 at
6 this time of the year, this obviously regions like
7 Morocco and Egypt, which are major importers of wheat.
8 Saudi Arabia is also experiencing major drought in
9 wheat-growing regions, starts to sort of contribute to
10 the macro story of the S&D of sort of where the push and
11 pull is going to come from. So another record year of
12 imports will be needed to meet demands of sort of the
13 Middle East and North Africa.

14 Next slide. So now on the demand side, sort
15 of shifting over to two main themes. The first one is,
16 really, the reopening of China but also China having
17 become a structural importer of grain, which we had not
18 seen before.

19 So let's just move to the next slide, please.
20 So there had been some pretty big structural shifts on
21 global grain demand. And that has come from China. So
22 look this is looking at the import of grain into China,

1 going back to 2017-18 where you're looking at imports
2 across grains of about 21.8 million tons. 2018-19 was
3 14. 2020, imports increased, despite COVID by 83
4 percent. In 2021, those imports increased by 143
5 percent and up to almost 65 million tons of grain
6 imported. 2022, where, essentially, it was a massive
7 lockdown year, we have not seen lockdowns of that level,
8 grain imports only really dropped by 13 percent. And
9 when you start to see what's happened at the start of
10 this year, in February, we were up 35 percent year-on-
11 year in terms of imports, so, really, have made up and
12 bounced back from the drop in imports experienced in
13 2022.

14 So if you move to the next slide -- and this
15 is really, like I said, a structural story, which
16 becomes important to the global narrative -- when you
17 look at imports of grains, of corn, rice, sorghum,
18 wheat, and barley, this is, again, going back about 20-
19 plus years, certainly recorded a record amount of grain
20 this past February. So that the little line that you
21 just sort of see pop up that is essentially Jan and Feb
22 imports, the average is the dotted line you see, which

1 used to be one to two million sort of tons, which,
2 obviously, sort of went up to over 5 million tons.
3 Again, in 2022, you started to see a decline as sort of
4 lockdowns happened, but that seems to have been
5 recovered. And a jump in imports is being mainly driven
6 by wheat and corn, which have increased by 123 percent
7 and 60 percent year-on-year.

8 Now, where is this coming from? And how are
9 trade flows shifting is an important part of this
10 conversation. So if we move to the next slide, you'll
11 see that Brazil exports to China are surging. And this
12 is largely due to China opening its corn purchases to
13 include Brazil last spring. And this only recently
14 began to take effect. So looking back several years,
15 you'll see basically no exports of any grains from
16 Brazil to China and over the last two months, this
17 drastic spike of 700,000 tons and 800,000 tons. And as
18 it diversifies food purchases, it's likely to
19 increasingly rely on Brazil to meet its growing grain
20 import demand, but this is a pretty significant shift in
21 global trade flows and what this means.

22 Next slide. Slide before. Yes. And, then,

1 obviously, this is in the context of protein demand.
2 And pork demand is a good proxy for protein demand.
3 Again, pork consumption rose by more than 50 percent
4 year-on-year as COVID restrictions were fully lifted.
5 Such a fast growth rate isn't sustainable. And there is
6 a bump there that is also due to things like Chinese New
7 Year's. Our forecast models do indicate an increase
8 year-on-year for 2023 and into 2024 for pork demand. So
9 this is looking at our pork demand forecast model for
10 China, in particular. And, also, producer margins have
11 been relatively volatile, which, obviously, drive it,
12 but you're starting to see a slight recovery in producer
13 margins for hogs. And so this obviously will lead to
14 more grain and oil seed demand from China as they're
15 needed for animal feed and is fundamentally sort of the
16 way that the animal feed market has shifted over the
17 past few years, largely because of ASF and sort of how
18 the hog herd was rebuilt and the feed requirements
19 changing as a result of that.

20 And so that sort of leads to the final sort of
21 topic, which, obviously, we only have so much time. So
22 I didn't go into vegetable oils as much but I think

1 still worth highlighting biofuels -- next slide, please
2 -- in particular, for palm and soybean oil. So palm and
3 soybean oil demand for industrial use continues to rise
4 as biofuel demand increases. And this is obviously
5 competing for vegetable oil for human consumption, but
6 it also increases competition for limited or protected
7 arable land, especially on the palm side of the
8 equation, and so really sort of a big sort of continuing
9 and emerging theme. Vegetable oil markets haven't been
10 as stressed, largely due to a combination of significant
11 demand destruction out of China due to COVID lockdowns,
12 combined with very healthy crops from the major growing
13 regions of Indonesia and Malaysia, which as we go into
14 the second half of the year are worth looking at sort of
15 more carefully if we move as we are shifting and have
16 shifted out of La Niña but with a significant
17 possibility of shifting into El Niño, which will impact
18 palm production.

19 And so hopefully this provides just a global
20 macro view of where we see the world and sort of what
21 the data tells us. I am happy to take any questions
22 people might have. Thank you.

1 CHAIRMAN HERNDON: Thank you very much, Sara.

2 At this time, I'd like to open it up to

3 questions and comments from the AAC members on your

4 remarks. Very informative presentation. I appreciate

5 it. I've already had people ask if the slides are

6 available. I don't know if that's -- you know, that's

7 not my realm here, but there's certainly interest in

8 what you have provided. I would now like to turn to AAC

9 member questions. Mark, would you like to ask a

10 question?

11 MR. MCHARGUE: Yes. Thank you.

12 Curious on the charts on the demand for China

13 on the import side of the grain. Do you have an idea or

14 a number of the percentage of grains that U.S. is

15 exporting to China versus what they're importing from

16 the rest of the world? I know you said that Brazil was

17 certainly ramping up, but are we losing ground or

18 gaining ground on our total percentage of grain going

19 into China versus their total usage?

20 MS. MENKER: Yes. So the Brazil shift just

21 started to happen, as you can see in that chart. It's

22 just the last two months. And, frankly, there has been

1 sort of no other producers large as the U.S. in terms of
2 exports of even beans. I mean, Brazil is obviously just
3 as sort of competitive on the soybean side as the U.S.,
4 but I think the diversification you're seeing is in a
5 series of shifts of policies that are sort of worth
6 highlighting.

7 On wheat, for example, Russian wheat never
8 used to be allowed to be imported into China. And that
9 policy was changed last year as well. So until 2022,
10 wheat could not come in from Russia. Today, it can. So
11 Ukraine is a much bigger supplier of wheat into China.
12 That can start to shift.

13 And so I think from a share standpoint, you
14 haven't seen a change in share, but it also is because
15 the sheer volume of what's been imported has gone up so
16 much that the sort of increased, frankly, production
17 coming out of regions such as the Black Sea region and
18 South America have helped quell what could have been
19 significant price increases otherwise from a sort of a
20 just a global I think standpoint.

21 MR. MCHARGUE: Thank you.

22 CHAIRMAN HERNDON: Ryan Weston? And can we

1 ask folks to state their affiliation. So Mark was with
2 the American Farm Bureau Federation. So Ryan?

3 MR. WESTON: Thanks, Scott. Thanks to the
4 chairman and the Commissioners and Sara. That was a
5 great presentation. I just want to say I'm with the
6 American Sugar Alliance, represent Florida and Texas,
7 Domino, C&H Sugar, Imperial Sugars.

8 I just would note when we're talking to
9 policymakers, you made a very good point. People are
10 watching the prices. And I know there's a lot of
11 traders on this call, people that watch us all the time.
12 A lot of the people we talk to do not understand the
13 payback when you're selling in dollars, what's happening
14 with the currencies back in all those other countries.
15 I have just got to say those were some fantastic charts,
16 and I think those will be powerful when we're talking
17 about how policies here do or do not affect what's
18 actually happening with food getting transferred around
19 the world.

20 So yes. I was going to ask the same thing, if
21 those charts can be shared. They're just really, really
22 excellent examples of what's actually happening and why

1 we hear prices may be coming down but why food maybe
2 can't actually move if people don't have the buying
3 power in their local currencies.

4 MS. MENKER: Yes. We'll definitely make the
5 slides. I think they'll be public after the meeting.
6 And I'm happy for them to be shared.

7 CHAIRMAN HERNDON: Sara, I think we probably
8 have time for one more question. We had one come in
9 through the chat from Ed Prosser with The Scoular
10 Company. He wanted to know, would you care to project
11 what the veg oil usage numbers may look like in '24,
12 '25, and '26?

13 MS. MENKER: Let me get my Magic Ball out.
14 No. That's something that we certainly can project and
15 have, but I don't have those numbers handy. So I'd
16 rather sort of not put projections out that I don't sort
17 of have off the top of my head. But I can certainly
18 follow up with the projections afterwards. I think I
19 have everybody's name.

20 CHAIRMAN HERNDON: Great. Thanks.

21 Well, I think that's probably it for the AAC
22 members. And just to keep on schedule, I will turn it

1 over to the Commissioners. So, Chairman Behnam,
2 starting with you, do you have any questions?

3 COMMISSIONER BEHNAM: Sara, thank you. That
4 was tremendous.

5 A quick question on the climate issues and the
6 drought and, obviously, that spread we're seeing in in
7 the U.S. on the north and the south. But,
8 notwithstanding sort of typical weather patterns, La
9 Niña you pointed out, are you seeing or are you able to
10 detect any changes in those patterns that would relieve
11 some of that pressure either in the Southern Plains or
12 the Northern Plains or these are truly sort of anomalous
13 patterns that we're seeing, that there's not really a
14 clear sense of when things might break?

15 MS. MENKER: So, I mean, this is the big thing
16 that can break. This is obviously if we shift to El
17 Niño. So if we do, then what you will start to see is
18 regions that have been hit again by persistent droughts
19 in North America, in particular.

20 I mean, I talked about the Southern Plains,
21 but you also have the West Coast, which we didn't touch
22 on, and South America. Those regions should see some

1 relief. And then you'll see sort of the shift will be
2 to Malaysia, Indonesia, Australia, et cetera.

3 And so that's where I said it might go sort of
4 from a grain story to a vegetable oil story in terms of
5 these shifts. And they're either being so persistent or
6 the shift from one to the next is happening so fast that
7 we're not having any reprieve of sort of like normalcy,
8 right?

9 And so I think one of the factors we look at
10 is this idea of predictability of climate, is
11 variability of climate going up or down, because that
12 itself will affect everything from the types of inputs
13 we need to use to the way in which we hedge markets and
14 sort of hedge sort of our exposures. Certainly,
15 volatility/variability has gone up significantly in the
16 over the past decade.

17 COMMISSIONER BEHNAM: Thanks, Sara.

18 CHAIRMAN HERNDON: I'm not sure if there are
19 any other Commissioners on the call, but, certainly,
20 we'd love to take questions.

21 (No response.)

22 CHAIRMAN HERNDON: If not, thank you so much,

1 Sara, for your presentation. And I will turn to the
2 next panel.

3 COMMISSIONER BEHNAM: Thank you, Sara.

4 MS. MENKER: Thank you.

5 CHAIRMAN HERNDON: So shifting gears here, our
6 second panel today will provide a discussion on
7 sustainable biofuels and factors that could help reward
8 farmers more for producing sustainable feedstocks. We
9 will hear in the following order Tom Haag and Kathy
10 Bergren with the National Corn Growers Association,
11 Michelle Mapes and Devin Mogler with Green Plains, Jered
12 Hooker and Alexa Combelic with the American Soybean
13 Association, and John Duff with the National Sorghum
14 Producers. Tom and Kathy, do you all mind kicking this
15 off?

16 MR. HAAG: Thank you, Scott. This is Tom
17 Haag. I am president of the National Corn Growers
18 Association. And I appreciate having the time here this
19 morning to discuss the biofuels issues with the
20 Committee here this morning, the CFTC. So I'll get
21 started here.

22 Biofuels are a key market for corn growers.

1 We support and demand for -- it takes, like, five
2 million bushels a year of corn for processing into
3 ethanol and other co-products. Biofuels and co-products
4 production has revitalized many farmers and has also
5 brought this back to the real communities, creating
6 jobs, and also bringing an opportunity for younger
7 generations to return to agriculture through increased
8 demand and value added to our crop.

9 Looking ahead, we continue to see a bright
10 future for biofuels. Farmers have improved
11 sustainability, offers new market opportunities for
12 biofuel feed stocks that are based on federal, state,
13 and private market incentives for lower-carbon
14 intensity, biofuels, and, by extension, lower-carbon
15 sustainable and feedstocks.

16 With that, I'll turn it over to Kathy to get
17 into a little bit more of the technical things with
18 biofuels with the corn growers. Kathy?

19 MS. BERGREN: Great. Thanks, Tom.

20 And thank you all for asking us to be on this
21 panel this morning and discuss these issues. Certainly,
22 there's a lot of new developments in this space. I just

1 wanted to just briefly highlight a couple of things that
2 NCGA has been working on on the federal policy level and
3 also on the state policy level. There's certainly a lot
4 more going on in the private sector as well, but that is
5 supporting greater sustainability in biofuels and in
6 agriculture, really, by incentivizing lower-carbon-
7 intensity fuels and, therefore, lower-carbon-intensity
8 feedstocks that farmers produce.

9 On the federal level, one of the most recent
10 developments is a new tax, a clean fuel production tax,
11 credit that was enacted through the Inflation Reduction
12 Act. We certainly see a lot of opportunity here for
13 biofuels and, by extension, for agriculture, that while
14 these tax credits are continuing to be -- the
15 implementation continues through Treasury, we really see
16 this as an opportunity to build on the successful
17 renewable fuel standard. Kind of our advocacy is really
18 focused around ensuring that these credits account for
19 carbon-intensity reductions in feedstock productions,
20 which are really enabled by voluntary farming practices
21 and the use of new technologies. If well-implemented,
22 these clean fuel credits, both for aviation and non-

1 aviation fuels, will support continued improvements in
2 fuel and feedstock production practices that lower GHG
3 emissions, really allowing biofuels producers to pass
4 along credit benefits for farmers based on that
5 feedstock production.

6 Not only on the federal level but also on the
7 state level, there are also policies that are helping
8 drive toward lower carbon intensity in agriculture and
9 in biofuels. In particular, an area we have been
10 working on is with the California low-carbon fuel
11 standard. While there certainly are some aspects of the
12 LCFS that we might change or improve this, market-based
13 program has been successful in reducing the carbon
14 intensity of biofuels. You really have biofuel
15 producers competing to reduce their carbon intensity to
16 access this market.

17 NCGA has recently joined other stakeholders in
18 advocating for the California Air Resources Board to
19 recognize carbon intensity reductions in feedstocks
20 produced with certain climate-smart farming practices
21 and incorporating those carbon reductions from
22 agriculture into the fuel pathways or the fuels carbon

1 score that CARB sets and, if we want to, encouraging
2 CARB to recognize the most verifiable and impactful
3 farming practices as a first step to incorporating
4 additional carbon reductions in that feedstock. If
5 implemented, we think this will provide a stronger
6 market signal to farmers to continue to improve farming
7 practices that reduce CI and provide farmers with
8 additional opportunities to benefit from economically.

9 Just really briefly, I think also kind of key
10 to making these policies successful for corn growers, in
11 addition to making sure we're using the most up-to-date
12 and robust lifecycle assessment for biofuels, we really
13 also want to ensure that any production practices
14 changes for farmers remain voluntary and that farmers'
15 data and information are well-protected as these markets
16 continue to develop. Certainly for farmers, as we know,
17 differences in climate, soil type, moisture, and such
18 means that there's not one size fits all for climate-
19 smart agriculture practices, but there are certainly a
20 lot of new opportunities, including those supported by
21 USDA through the climate-smart commodities grants, which
22 we're participating in, and others. And so we want

1 farmers to continue to take advantage of these
2 opportunities and these additional market incentives and
3 incentives created by the tax credits. And LCFS
4 programs help support those opportunities.

5 Thank you.

6 CHAIRMAN HERNDON: Thank you so much, Kathy.
7 And, just keeping on schedule here, if we could turn it
8 over to Michelle and Devin with Green Plains? Thank you
9 all.

10 MS. MAPES: Thank you, Scott. Thank you,
11 Chairman Behnam and Commissioners, for allowing us to
12 present today on biofuels, a topic that we're very
13 passionate about here at Green Plains.

14 Just a glimpse into our company -- and this is
15 not intended to be a commercial for Green Plans but,
16 rather, to give you an idea of the innovation happening
17 in biofuels today. At a very high level, Green Plains
18 is a publicly traded company headquartered in Omaha. We
19 have 11 facilities across 6 states in the United States.
20 We produce approximately one billion gallons of ethanol
21 today in our 11 facilities. We use approximately 340
22 million bushels of renewable feedstock; i.e., corn, to

1 create our ethanol, but we have many other co-products,
2 and we're just beginning. We produce distillers grains,
3 which go into cattle feed. We produce renewable corn
4 oil that is going into renewable diesel. We have an
5 ultra-high protein product that we have developed as
6 well as other products that I'll talk about in a bit.

7 The reason that I want to focus on this is
8 that what we're doing at Green Plains is an innovation
9 story as Commissioner Goldsmith Romero made. We're
10 reducing the reliance on foreign oil. We're reducing
11 the dependence that we have on other countries to the
12 security of our country. We have products that are
13 reducing emissions. We are replacing petroleum products
14 that are potentially harmful to the environment. So
15 we're excited about the transformation of rural America
16 that we believe we and the industry are contributing to.

17 Just a bit of background. In 2018-2019, the
18 industry really faced some pretty serious challenges,
19 trade and otherwise. And, as a result of that, we
20 recognized that we needed to move away from our
21 dependence on ethanol, our co-product. And, as part of
22 that pivot, we started to look at the technology and the

1 innovation that was available to potentially take our
2 dry mill operations and what we want to call our
3 biorefinery of the future.

4 And so if you go to our slide that has the
5 transforming the biorefinery platform of the future
6 you'll see the journey of where we are and where we're
7 at and where we're going. As noted, we started as a
8 simple plant, as many plants did back in 2008 or so,
9 producing ethanol corn oil distillers grain. We bought
10 a technology company. We are deploying much of their
11 technology. And we are allowing the corn kernel now to
12 produce so many other products. And this is just the
13 beginning, as our CEO has talked about from time to
14 time. Wet mills produce upwards to 200 products and we
15 are, as you can see, on our way to producing six
16 products with carbon capture, then, and we are on our
17 well on our way to cracking that kernel for even more.
18 What this does to rural America, what it does for
19 economic development, what it does for our farmers is
20 unimaginable because of the value that we can bring to
21 rural America and to the economy with these products.

22 Let me touch on just a couple of the newer

1 products that we are focused on. Ultra-high protein
2 takes the stream of distillers grains that we produce
3 today and refines it even further into a protein product
4 that has multiple applications in various feed
5 ingredients. Higher protein concentrations adds more
6 value, more revenue, more return to our shareholders but
7 also to the farmer and the value of the corn kernel.
8 Likewise, we are in the process of launching our first
9 initiative at our Shenandoah, Iowa, campus where we will
10 produce dextrose, essentially a sugar product, that will
11 allow us to, if we want to, no longer produce ethanol
12 from the corn kernel. And that dextrose, then, will be
13 used in the biochemical industry, potentially in food
14 and beverage industry, synthetic plastics, and replacing
15 petroleum products. So it's an exciting future. And
16 the journey has just begun for us. And we really see
17 that it's no longer an ethanol plant. It's a
18 biorefinery.

19 I think it's important to recognize where the
20 industry is going because I want to be cognizant of the
21 Commissioners' comments and the sensitivity to food
22 prices and things like that. And so the ability to take

1 that corn kernel and create more and more value for it
2 is really what we are focused on.

3 On our next slide, I wanted to give just a
4 little bit of background for those of you not founded in
5 some of the programs that are out there. The renewable
6 fuel standard is really where much of this began back in
7 2005, expanded in 2007. It really incentivized the
8 production of biofuels by requiring a certain amount be
9 blended into a final product. And that blend ratio was
10 10 percent. That has allowed the industry to really
11 grow and thrive.

12 The first years of the industry as it was
13 growing and thriving were incredibly successful. The
14 one thing that's important to note for 2007, when that
15 law came into effect, that it is from existing cropland.
16 No additional lands can be converted to cropland as a
17 result of that. Otherwise, you have to specifically
18 trace where your feedstocks are coming from. And so
19 that is watched very closely by EPA. And, therefore, we
20 stay within that range. And so I think the renewable
21 fuel stock, as you can see, as we've put together in our
22 slides, what it's done, again speaking to the

1 Commissioners' points, decreased our reliance on oil,
2 reduced greenhouse gas emissions, improved air quality
3 by replacing some of the dirtiest parts of a gallon of
4 gasoline.

5 One of the things that it talked a little bit
6 about and to Mr. Haag's comments and our colleagues at
7 National Corn, while one third of the U.S. corn crop
8 does go into the production of biofuels, I think it's
9 interesting that of that one-third, approximately 25-
10 plus percent of that corn kernel is going to be an
11 oxygenate, a required octane additive to fuel that is
12 replacing NTBE, which was a very harmful chemical that
13 is no longer used in the United States. So much of that
14 corn kernel is going to a very positive use as a
15 baseline oxygenate in our fuel supply.

16 On top of that, 7 percent of that corn kernel
17 is going back to feed animals through distillers grains,
18 our protein products, and so forth. So very little is
19 going to what I will call excess fuels, renewable
20 diesel, and so forth when you look at the overall use of
21 the corn kernel.

22 And then, as touched on by Kathy, in addition

1 to the renewable fuel standard that exists in our
2 country, many states and other provinces outside the
3 United States are moving to low-carbon-fuel standards.
4 Low-carbon-fuel standards in many respects are tailored
5 like the renewable fuel standard. They are
6 incentivizing lower-carbon intensity.

7 And while I didn't touch on this on our buyer
8 refinery of the future, our products are low-carbon.
9 And they're going lower in carbon all of the time.
10 We're very focused on making sure that our products are
11 lowering our footprint. We're doing that through the
12 initiatives that we are engaged in with pipelines,
13 potential other sequestration, combined heat and power
14 alternatives for production of electricity and power.
15 And, as a result of that, our products we believe will
16 be some of the lowest-carbon products out there,
17 competing with the products that exist today that may
18 not be as healthy for our economy.

19 I'm going to turn it over to my colleague
20 Devin Mogler, who's going to talk a bit about why these
21 programs that are coming into being are important to us
22 and how they've impact biofuels and, particularly, how

1 they impact the farmer and how that value gets traced
2 through the initiative. Devin, take it away.

3 MR. MOGLER: Thanks, Michelle. And thank you
4 Chairman Behnam and Commissioners.

5 If you could go forward two slides, please? I
6 want to touch some more on what Kathy with the Corn
7 Growers talked about with the new 45Z clean fuel
8 production credit. So this was created as part of the
9 Inflation Reduction Act. It is designed to be a
10 technology-neutral fuel tax credit for incentivizing the
11 reduction in carbon intensity. As Michelle mentioned
12 and Kathy did as well, the low-carbon fuel standard in
13 California and now this on top of it has created a
14 veritable arms race in the industry to reduce carbon
15 intensity and not only at our biofuel refineries, where
16 we're focused on carbon capture and sequestration, wind
17 and solar, and cogeneration, as Michelle mentioned, but
18 also the on-farm practices.

19 Twenty-five CI points out of the roughly 55 to
20 60 at your average ethanol plant today is from on-farm
21 practices. And this is under the Argonne GREET model
22 from the Department of Energy. So there's a ton of

1 opportunity there on farm for this to be that carrot,
2 rather than a heavy-handed regulation that can
3 incentivize voluntary reductions in carbon intensity on
4 farm, whether it's cover crops, a reduced application of
5 nitrogen, split application, precision ag, et cetera.
6 So we believe there's a big opportunity here.

7 Of course, the devil's always in the details
8 when it comes to regulatory rulemaking. So we need
9 Treasury to allow for that sort of specificity and that
10 granularity to allow climate-smart ag practices to
11 contribute here.

12 We believe congressional intent was to spur
13 investment and decarbonization across all facets of the
14 energy landscape. And they specifically included \$220
15 billion for working lands conservation programs. So we
16 believe that this ties in directly there as well.

17 And if you go to the next slide, just some of
18 the reasons -- and the corn growers and the sorghum and
19 soybean guys can probably speak more accurately to this,
20 but from my experience as a farm kid and working in ag
21 my whole life, generally, the barriers to getting
22 farmers to adopt practices have been lack of monetary

1 incentives, opposition to mandatory requirements,
2 trepidation about data sharing, and not receiving credit
3 for past practices that they were already doing. And I
4 believe that the 45Z clean fuel production credit really
5 helps address all of those and possibly even the data
6 concerns but certainly three of the four.

7 If one bushel of corn is producing three
8 gallons of ethanol today and, as we mentioned, 25 CI
9 points are attributed to on-farm practices, that's about
10 \$1.50 per bushel in the value chain just from on-farm
11 production practices if we're turning that corn into a
12 gallon of ethanol. So on a per-acre basis, looking at
13 average yields of about 180 bushel per acre, that's \$270
14 per acre sitting out there. So it's a step change from
15 the numbers that have been talked about in the past of
16 10 or 20 bucks an acre for cover crops and other
17 practices. I think there's real value here and real
18 opportunity to transform the way we do agriculture.

19 Thank you.

20 CHAIRMAN HERNDON: Jered and Alexa?

21 MR. HOOKER: Good morning. Chairman Behnam,
22 fellow Commissioners, the American Soybean Association

1 represents over 500,000 soybean farmers in 26 states and
2 some multi-state organizations. The professional
3 staffer that will make the remarks for my group, The
4 American Soybean Association, is Alexa Combelic, who is
5 based in Washington. Alexa, please.

6 MS. COMBELIC: And thanks, Chairman Benham and
7 Scott and Commissioners, for this.

8 We heard a lot already, I think, about
9 ethanol. And so just a primer on biomass-based diesel.
10 Soybean oil provides about 50 percent of the feedstock
11 for biomass-based diesel, which encompasses biodiesel,
12 renewable diesel, and now we're seeing some development
13 in the sustainable aviation fuel space, but we've seen
14 over the past few years, a real boom in biomass-based
15 diesel, specifically renewable diesel production.

16 As of October 2022, there was a capacity of
17 about 4.2 billion gallons in biomass-based diesel space.
18 And, looking at renewable diesel specifically, expansion
19 of just that fuel should be reaching about 5.2 billion
20 gallons by 2025. And a lot of that is spurred by what
21 we're seeing on the West Coast. You've heard a little
22 bit already about low-carbon fuel standard programs,

1 California truly driving force behind all of that.

2 With the renewable fuel standard, the
3 development of tax credits that are benefiting our
4 fuels, I think we're seeing continued growth and
5 continued demand, especially as sectors are trying to
6 lower their carbon intensity biomass-based diesel serves
7 as a really unique drop in fuel that can replace
8 traditional diesel in older equipment and in areas that
9 are hard to electrify, like heavy-duty hauling, marine
10 transport, rail. And so we as an association continue
11 to look at ways in which we can lower our carbon
12 intensity on farm in order to improve those CI scores.
13 I think, as we have seen in the food space already,
14 there is growing demand to have more sustainable food,
15 more sustainable fuel and knowing that that on-farm
16 origination point is doing everything that they can to
17 improve environmental practices.

18 In the fuel sector, I think we're seeing a lot
19 of traditional petroleum companies who are now
20 interested in diversifying their portfolio and towards
21 more renewable diesel and biodiesel services. And I
22 think one thing we've been hearing from these companies

1 is that they would like to find ways in order to improve
2 the CI scores that they're seeing through locally
3 growing beans that are using certain practices in which
4 they could maybe lower those scores even more.

5 We've had many discussions about this, the
6 farm level, nationally among all of our members. And I
7 think some of the concerns that we have and you've
8 already heard is about farmer data and about some of the
9 logistical challenges in terms of traceability. Beans
10 are I think a little different than corn going into
11 ethanol in which the beans are normally produced and
12 then they have to go to a crushing facility, in which
13 they are separated into oil and meal. And then from
14 there, that oil is going to a refinery to be turned into
15 renewable diesel. It creates a larger web of logistical
16 challenges in terms of tracing the carbon intensity from
17 the farm all the way to the end product.

18 And I think as farmers are trying to
19 capitalize on the investments that they're making on
20 their farm, wanting to ensure that they are receiving
21 all of the benefits that they can, both from these
22 voluntary incentive programs at the USDA, and now seeing

1 private companies also trying to capture some of those
2 benefits from the carbon that they are sequestering,
3 it's become a bit of a I think confusing puzzle of how
4 you can quantify, how you can trace where these carbon
5 credits or carbon scores are moving. And I think, from
6 our perspective, as we continue to look towards new
7 programs, the patchwork of LCFS programs that are
8 seemingly gaining popularity across the country, we are
9 really interested to see how this ends up playing out.

10 And I think this discussion -- and it sounds
11 like there were previous discussions on how this would
12 work at a local level, a regional level in terms of
13 tracing that carbon benefit, how that would work in a
14 larger scale. And so from our perspective and I think
15 across commodities, this is a discussion that we are
16 continuing to have. And I think have sometimes wound up
17 with more questions than answers in how this all plays
18 together among federal level, state level, and private
19 investment.

20 And there are a number of companies already
21 working with farmers to capture those benefits, their
22 ecosystem services markets that they're working in, but

1 to do that on a national level and when you do it to
2 every piece of the value chain, I think we are still
3 struggling to find the silver bullet there but really
4 glad that this discussion is happening today. And I
5 think what we heard from the ethanol and corn folks and
6 what you're hearing from us now is that there is a
7 demand and a hunger to do better and to improve our
8 carbon-intensity scores, but to get there through the
9 incentive process is continuing to be a bit of a
10 challenge.

11 Thanks.

12 CHAIRMAN HERNDON: Thank, Alexa. John, are
13 you ready to go?

14 MR. DUFF: I am. Well, thanks to the
15 Committee and Scott for putting this together.

16 I'm glad I'm going last. My comments were
17 somewhat of a wrap-up of all of these topics anyway. So
18 I think what I'm going to say here will serve to briefly
19 summarize it, punctuate it, and kick off a little bit of
20 discussion, hopefully.

21 I'm John Duff with National Sorghum Producers.
22 I am actually a consultant to National Sorghum

1 Producers. I own a consulting company called Serō Ag
2 Strategies, but I mainly work for National Sorghum
3 Producers and mainly in the area of sustainability.
4 National Sorghum Producers, of course, was one of 141
5 recipients of grants under the USDA's Partnerships for
6 Climate-Smart Commodities grant program. National
7 Sorghum Producers received a \$65 million award under
8 that. I'll talk a little more about that and why it's
9 important for this discussion in a second.

10 First, a little bit about sorghum. Sorghum,
11 of course, is a cousin to corn that's grown on about 100
12 million acres worldwide, about 7 million in the United
13 States. And one-third of those bushels of sorghum
14 produced in the United States go to fuel ethanol
15 production, almost entirely in Texas and Kansas. And of
16 that, a larger amount goes to California to be sold
17 under the low-carbon fuel standard.

18 The low-carbon fuel standard, of course, has
19 rigorous guidelines for carbon intensity, as you heard
20 from others earlier on the panel. But it's worth noting
21 that the LCFS, as important as it is, is one of many
22 many, many, many such fuel standards. There are

1 actually 66 countries globally that have some sort of
2 fuel standard. Now, some of those are in sub-Saharan
3 Africa. And so it's more like it's more like a goal or
4 a target, rather than having really rigorous reporting
5 requirements. But still there is a standard there, and
6 there's a goal, and there's a target to reduce the
7 emissions of fuels.

8 There are dozens, though, of countries that
9 have very, very rigorous standards for their fuel
10 standards and we also have other states beyond just
11 California and the United States. And, of course, under
12 the Inflation Reduction Act, Treasury itself will serve
13 in a way as a low-carbon fuel standard going forward.
14 And so there's a lot of opportunity for on-farm tracking
15 of practices as we go forward just looking at the fuel
16 markets alone.

17 To meet the goals, the very ambitious goals,
18 that have been set by California and others for
19 emissions reductions under their programs, we have to
20 look at on-farm practices. That is, of course, about a
21 25 percent to a third of the footprint of fuels. And so
22 it's very, very low-hanging fruit when you look at ways

1 to actually reduce the lifecycle emissions of fuels.
2 It's difficult to do that, of course. There are a
3 myriad of challenges with that.

4 You have varying degrees of sophistication,
5 complexity, and even quality of data on the farm. You
6 have a real spectrum. There are still some farmers that
7 have everything in a shoebox that they give to their
8 accountant at the end of the year. And then you have
9 extremely sophisticated growers, who are capturing all
10 of these data on the fly from the tractor itself. And
11 that's all going in a central repository. It's tracked
12 against the farm number. It's tracked against actual
13 loads of grain that have been taken to the elevator.
14 It's extremely sophisticated. And they're not going to
15 have a problem at all complying with any kind of
16 reporting requirements on the farm. But, again, you'll
17 have those that that don't, and, then, you have everyone
18 in between there. So it is definitely a challenging
19 situation to navigate as we look at how you capture
20 what's going on on the farm and transmit it through the
21 supply chain.

22 That is what the crux of the National Sorghum

1 Producers climate-smart grant was designed to do. It
2 was designed after five years to have a platform in
3 place that allows us to capture data on the farm and
4 pass it through the supply chain ultimately to the final
5 end user of that data, whether it's a food company,
6 whether it's a low-carbon fuel standard, or an ecosystem
7 services market, otherwise, that wants to capture the
8 value of those on-farm practices from an environmental
9 services and environmental benefit to society
10 perspective.

11 We believe the platforms are in place today.
12 I don't think we would have been awarded a \$65 million
13 grant if we didn't have a team ready to actually make
14 this happen. There are probably a dozen different
15 platforms for capturing that value on the farm. There
16 are probably a dozen different intermediaries that stand
17 between the ethanol plant and the ultimate fuel
18 standard. And it's just a matter of making sure all
19 those parties are talking to each other and are able to
20 handle the data and pass the data through in a way that
21 will give the California low-carbon fuel standard, the
22 renewable energy directive in the EU, or even the

1 Department of Treasury the satisfaction of knowing that
2 those practices are what those farmers are saying and
3 those emissions reductions are actually taking place.
4 Like I said, I think it's all in place today. It's just
5 a matter of getting them at the table and coordinating
6 all of that. And hopefully our grant over the next five
7 years will generate that platform and that framework
8 that anyone in the industry, whether it's a sorghum
9 farmer or whether it's a corn farmer or whether it's a
10 soybean farmer, will be able to use it to monetize the
11 value of those practices and the good work that they're
12 already doing on the farm.

13 With that, I will yield. Scott?

14 CHAIRMAN HERNDON: Yes. Thanks so much, John,
15 and for all the other panelists, really appreciate these
16 thoughtful insights. Now I would like to turn it over
17 to the AAC members for questions. And, Mark with the
18 American Farm Bureau Federation, you are up first
19 because you raised earlier. And then we'll turn to you,
20 Tommy.

21 MR. MCHARGUE: I appreciate that. I
22 appreciate all the presenters, just a really excellent

1 job.

2 So as American Farm Bureau, sitting on that
3 board, I in Nebraska farm three sides of a Green Plains
4 ethanol plant. And I probably don't go more than a
5 couple of days without talking about carbon intensity
6 scores and the American farmer and how we're going to
7 comply, actually, with these standards. I feel like we
8 really have a wall coming in potentially '27-'28 arena,
9 where we have a significant amount of players that are
10 saying that they need their scores at a particular place
11 without significant plans on how to do that.

12 I was interested, Devin, really in your
13 comments of potentially \$1.50 a bushel for on-farm
14 practices at \$270 dollars an acre. Our concern with our
15 producers has been especially how do we work with the
16 ethanol plants to actually realize that?

17 And to John's point -- and I appreciate that
18 they are working on a platform, but, boy, from our
19 perspective, there just is not a system out there that's
20 rolling this up and is going to make it available to
21 farmers to really capture all of these things that are
22 out there, the tremendous amount of initiatives out

1 there, but to get that to a point where the producer
2 actually has a certified CI score that they've reduced
3 their emissions on the farm, that they get to be a part
4 of that value chain as it goes into the ethanol plant.
5 We haul all of our grain, nearly 100 percent, to Green
6 Plains here, but to capture that is difficult.

7 And, then, just one question. I was curious
8 in the Green Plains. With the carbon pipeline, how
9 confident are you that the carbon pipelines are going to
10 become a reality?

11 MR. MOGLER: Thanks for that question, Mark,
12 and thanks for your business. We appreciate it and
13 don't take it for granted.

14 Maybe let me start with the carbon pipelines.
15 There's a lot of challenges there between getting state
16 approvals as well as county-level approvals and signing
17 up voluntary easements from farmers, but from what I've
18 seen, they've made a tremendous amount of progress with
19 getting voluntary easements. And none of it has been
20 blocked at the state level that I've seen. So I think
21 there's a better than 50/50 chance those projects move
22 forward, one or multiple of them. And some of those

1 could be operating as soon as 2025, when the clean fuel
2 production credit goes into place.

3 To your other question, there is certainly a
4 lot of concerns about how we track all of that data from
5 the farm and how we're able to capture that value and be
6 able to share it through the value chain between the
7 farmer and the biofuel producer. There's a number of
8 companies that are trying to crack that. And I don't
9 believe anyone has found the silver bullet yet, but I
10 think there's certainly a number of technologies out
11 there that have a promising path forward. We're talking
12 to a number of those folks. We've looked at internal
13 systems as well. And hopefully we can have something in
14 place by the time that credit comes into place.

15 But I want to emphasize again what Kathy
16 mentioned from the Corn Growers and I did as well.
17 There's a significant gating item in the Treasury
18 regulations. They're writing the regs today, unclear
19 when they'll come out, hopefully later this year, but
20 it's up to them to specify whether or not on-farm
21 practices can qualify for carbon reduction. We believe
22 they should. Everyone else who's spoken today believes

1 they should. I think it was the intent of Congress to
2 have that happen. So I think anything you and the Farm
3 Bureau can do to continue to reach out to Treasury
4 during the rulemaking process would be helpful.

5 So thank you again, Mark.

6 CHAIRMAN HERNDON: Tommy, with the Commodity
7 Markets Council, do you have any questions?

8 MR. HAYDEN: Yes, I do have one for the
9 panelists. It's really concerning the 45Z tax credits
10 that are outlined in the IRA. And I guess the concern I
11 have is how these tax credits are considered when you're
12 in the calculation of the global minimum tax. So to me,
13 it just seems that this could prevent stakeholders from
14 achieving the intent of the statute, just wondering if
15 anybody has any comments on that or if there's a
16 coalition that's working to address this potential
17 impediment.

18 CHAIRMAN HERNDON: Any takers?

19 MR. HAYDEN: I know it's complex, but I think
20 there is something there, just curious if there is a
21 coalition or if it's been discussed in any forum.

22 MR. MOGLER: If there is, Tommy, I'm not aware

1 but can certainly follow up on that and get back to you.

2 MR. HAYDEN: That would be great. We do have
3 some members of CMC that have addressed this. So thank
4 you.

5 CHAIRMAN HERNDON: Any other questions from
6 the AAC members?

7 (No response.)

8 CHAIRMAN HERNDON: Okay. I have a question to
9 the panelists. What is the growth path for sustainable
10 aviation fuel?

11 MS. MAPES: I'm happy to address that. Green
12 Plains recently signed an agreement with United Airlines
13 and Tallgrass to launch their sustainable aviation fuel.
14 One of the key gating items is technology. As you know,
15 we are an ag tech company. That's critically important
16 to us. We are in the process of finalizing our license
17 with PNNL and one of the national labs to build up that
18 technology.

19 When that technology is fully employed at a
20 commercial scale, we believe that the pathway is there,
21 subject to certain regulatory requirements that I'll
22 have Devin touch on, again some rulemaking that needs to

1 happen that recognizes the applicable model that would
2 be favorable for alcohol to jet to fall within those
3 credits.

4 Devin, do you want to cover that?

5 MR. MOGLER: Sure thing. So, as I mentioned
6 earlier, the 45Z clean fuel production credit specifies
7 the DOE's Argonne GREET model. That gives biofuel
8 production, particularly ethanol, credit for carbon
9 capture and doesn't have nearly as punitive of land use
10 change and farming practices penalty that some of the
11 other models do. For whatever reason, Congress chose to
12 specify a separate model, the International Civil
13 Aviation Organization's CORSIA model, which does not
14 give us credit for carbon cap capture and has a punitive
15 land use change score. So if they stick with that, if
16 Treasury sticks with that, during the rulemaking, it
17 would basically preclude alcohol-to-jet sustainable
18 aviation fuel from corn ethanol produced in the U.S.
19 And the problem there is, as Alexa alluded to with
20 soybeans, we've got all of this renewable diesel
21 production capacity coming online. Some of that you can
22 turn the dial and crack off a little more SAF, instead

1 of renewable diesel, but at some point, there's going to
2 be a limited amount of veg oil feedstocks to meet the
3 needs for not only SAF and RD. I believe we will have
4 enough with all the new crushing capacity coming online.
5 With all the new renewable corn oil we're spinning off
6 at our ethanol plants, I don't believe we're going to
7 have a challenge in feedstocks but the aviation sector
8 is so large. It's 36 billion gallons, just in the U.S.
9 And if you want to get there and replace all of that,
10 you need to use alcohol-to-jet.

11 MS. MAPES: Absolutely. I would just echo
12 what Devin said. It's difficult to obviously
13 decarbonize that type of fuel other than through
14 ethanol, we believe.

15 The second thing I would add is that states
16 are also offering initiatives. Much like the low-carbon
17 fuel standard, we've now seen Illinois offer credits
18 specifically to sustainable aviation fuel, with other
19 bills like that being introduced.

20 CHAIRMAN HERNDON: Kathy, did you want to
21 chime in as well?

22 MS. BERGREN: Sorry, Scott. Yes. No. I was

1 just going to say we certainly agree with that and agree
2 with where Devin was at. Particularly on the policy
3 side, it's very important that on this guidance from
4 Treasury on the tax credits and ensuring that there is a
5 robust domestic lifecycle analysis model, we prefer that
6 the Department of Energy's GREET model. We think that
7 that is the best model out there. Certainly for the
8 commitments and goals from the administration on
9 sustainable aviation fuel to be able to achieve those
10 targets, I think we believe we're going to need fuels
11 from a wide variety of feedstocks, especially
12 agriculture feedstocks, and to have an incentive system
13 that would exclude those fuels is going to prevent
14 reaching those goals. So it certainly is then a very
15 key piece on these ongoing Treasury rulemakings to
16 ensure that these fuels are not disqualified, really,
17 before the production has a chance to take off with
18 these new technologies.

19 CHAIRMAN HERNDON: Great. Thanks.

20 Swati, I don't know. I have another question,
21 but I also want to respect that, also the chairman.

22 COMMISSIONER BEHNAM: Scott, I am going to

1 just jump in. No question per se, but I do want to
2 thank all of the speakers, including Tom and Jered, for
3 popping in from Corn Growers and soybeans as well, just
4 point out some of the things that -- these are real
5 opportunities for producers and landowners. Devin had
6 mentioned this.

7 And I think this Committee should continue to
8 think about what we could do at the Commission.
9 Obviously, we're seeing a lot of new products being
10 listed on our exchanges that end up becoming both a
11 price discovery and risk management tool, but there are
12 a lot of components to what was discussed at a lot of
13 different agencies within the Federal Government,
14 obviously USDA; EPA; and, as we just heard, Treasury
15 with respect to the rulemaking and how things are
16 finalized. But, certainly, we'll do our part. I'll do
17 my part.

18 But I think this is a real opportunity, as was
19 pointed out for landowners. And we should continue
20 having this discussion, not only on products and how
21 biofuels will play a role in both agriculture but the
22 energy transition, but this discussion around carbon

1 intensity and getting accurate scoring metrics applied.
2 And I know there's a lot of efforts from the private
3 sector, but this is in an area where, clearly, there's a
4 public/private demand and need so that we can have a
5 level playing field and a unified standard so that
6 growers know what rules they're playing by and then they
7 can have those incentives to participate in these
8 opportunities because both from a sustainability
9 standpoint but, obviously, from a revenue standpoint, I
10 think this is a great opportunity for the farm
11 community.

12 Thanks.

13 CHAIRMAN HERNDON: Great. Thank you,
14 Chairman.

15 Swati, turning to you.

16 MS. SHAH: Thank you, Scott.

17 So at this time, the AAC will take a 15-minute
18 break. So if all the members and guest panelists and
19 Commissioners could please make sure your Zoom is on
20 mute and turn off your video during the break, we will
21 resume at 11 a.m. Eastern. Thank you.

22 (Recess taken from 10:46 a.m. to 11:16 a.m.)

1 MS. SHAH: We are just going to resume the
2 meeting. So at this time, I would like to call the AAC
3 meeting back to order. And I'll turn the agenda back
4 over to Scott. Thank you.

5 CHAIRMAN HERNDON: Great. Thanks so much,
6 Swati.

7 And for our third presentation today, we will
8 hear from Chairman Daniel Maffei of the Federal Maritime
9 Commission for discussion on maritime issues impacting
10 the agricultural economy.

11 Chairman Maffei, feel free to go ahead now.
12 Thanks so much.

13 MR. MAFFEI: Yes. Sure. Yes. I thank you
14 very much.

15 First of all, I apologize for coming in by
16 phone. I have been sitting in my office for quite a
17 while. And I have my aides and the aides over at the
18 CFTC busily trying to get me connected by Zoom. And,
19 for some reason, it's not working. So I do apologize,
20 but, certainly, I think some of you already know what I
21 look like. It's not that big a deal probably that I
22 can't come in video.

1 But let me do just say that anything that I
2 say does reflect my own views and not the official
3 position of the Federal Maritime Commission or of the
4 Biden Administration or my wife or my eight-year-old
5 child.

6 I want to thank everyone for inviting me and
7 particularly Chairman Behnam. I do appreciate the
8 opportunity to discuss all the supply chain challenges
9 that have affected agricultural producers and their
10 ability to get their products to overseas markets.

11 Now, I thought the most helpful thing I could
12 do is just sort of give an overview of who we are at the
13 Federal Maritime Commission, which I will call FMC, and
14 what we regulate. We are actually like the CFTC in a
15 couple of ways. We're an independent commission. We
16 have five independent commissioners, each of whom is
17 appointed by the sitting President for a specific term
18 that can and often does cross into the next
19 administration.

20 So we are independently appointed. We're not
21 part of a cabinet department. And the President can't
22 appoint more than three members of his own party. So we

1 are bipartisan. Currently, there are three Democratic
2 appointees and two Republican appointees. And as
3 chairman, I am the CEO, but my vote counts the same as
4 each other member. As a practical matter, though, even
5 though we do come from political parties, we do most
6 things by consensus. And, frankly, even when we don't
7 do something by consensus, usually, we have an honest
8 disagreement, and it's not usually due to a political
9 party. So I am glad to say that Washington is pretty
10 partisan lately, but we at our little commission try to
11 avoid that.

12 We oversee ocean transportation service
13 between the U.S. and foreign ports provided by companies
14 that operate ocean cargo-carrying ships that offer their
15 services to the general public. We call these vessel
16 operating common carriers or VOCCs or simply ocean
17 carriers.

18 By the way, we call them carriers, as opposed
19 to shippers. Shippers are all of you. Our shippers are
20 anybody who is sending something or receiving something
21 through international transportation. Sometimes my
22 former colleagues on Capitol Hill get that mixed up.

1 They'll say, "Oh, the shippers did this" and "do that."
2 What they really mean is the ocean carriers did
3 something that they may not like.

4 The Shipping Act establishes the requirements
5 for all those ocean carriers as well as U.S. marine
6 terminal operators that serve those carriers and
7 companies that act as intermediaries that provide
8 services such as booking ocean transportation and
9 arranging for related logistics.

10 Now, we at the FMC, we regulate cargo
11 transported mostly by container, but we also do those
12 roll-on/roll-off vessels. So like if you're importing a
13 tractor or companies that export equipment or cars, for
14 instance, will go that way because of the way the space
15 is managed on bulk and breakbulk specialty cargo tanker
16 vessels. All of those kind of categories, we rarely get
17 involved with those, the regulations concerning them.
18 It's more of a closed system. Well, it's not available
19 to the public like cargo in a container is.

20 We also do have a few regulatory
21 responsibilities concerning the cruise industry if
22 they're international, if it's a route between U.S. and

1 a foreign destination. We'd monitor competition among
2 vessel operators and marine terminal operators when they
3 enter into certain kinds of agreements, which under law
4 allow them to legally collaborate in certain ways as
5 long as the reduction in competition does not
6 unreasonably raise prices or lower the service. And
7 that's what we take a very close look at to make sure.

8 I do want to note that the international ocean
9 shipping was thoroughly deregulated in the 1980s and is
10 subject to far less regulation than domestic shipping or
11 trucking, rail, air cargo, or almost any other kind of
12 transportation you're used to, are more regulated.
13 Ocean transportation seems to work in a predominantly
14 deregulated environment. And that's why a very small
15 agency of only about 150 professionals and support staff
16 can oversee this \$1.3 trillion in commerce every year.
17 However, because of our small size, it's one of the
18 reasons why we're one of the few agencies of government
19 that's actually grown in the recent couple of years with
20 targeted budget increases supported widely by both
21 Republicans and Democrats.

22 Now, one of the key areas that we have souped

1 up recently is enforcement. Shipping Act restrictions
2 and the rules that the FMC promulgates to interpret the
3 Shipping Act are all enforced through our Bureau of
4 Investigations, Enforcement and Compliance, which is
5 staffed by attorneys mostly. They act as investigators
6 and sometimes prosecutors and bring enforcement actions
7 against suspected violators.

8 We do have, by the way, investigators assigned
9 to a lot of areas in the country, major coastal port
10 areas, such as Houston, LA., Long Beach, and Seattle,
11 and we soon will be locating a few investigators in the
12 interior in the country, in part, by the way, to be
13 closer to the ag shippers and inland transportation
14 hubs, such as Chicago and Memphis.

15 Now, a shipper or any person harmed by the
16 Shipping Act violation can also file a private complaint
17 and seek damages for their loss. We have a couple of
18 links on our website that are like webinars that explain
19 various enforcement actions that private entities can
20 take.

21 We also have a Consumer Affairs Office that
22 provides advice and dispute resolution and sometimes

1 mediation services to shippers. That office is staffed
2 by attorneys and some industry experts, including a
3 specifically an expert in export issues most likely to
4 affect agricultural shippers. We designated that when I
5 became chairman because it was so important to have a
6 go-to place for exporters.

7 Now, of course, for the past few years, the
8 pandemic and the boom in demand for imported goods has
9 spurred unprecedented problems with poor congestion and
10 spiraling freight costs. And that's obviously where
11 we've been focused. Among other pressures and
12 challenges, shippers were being asked to pay escalating
13 fees called detention and demurrage charges for cargo
14 that wasn't picked up on time or empty containers that
15 were not returned within a designated timeframe. And
16 sometimes these fees were really unreasonable because
17 you couldn't return the cargo. It was something
18 preventing you. For instance, the actual terminal
19 refused to take back the box if it was empty or it was
20 under so many other boxes that they refused to give it
21 to a shipper who was receiving it. There were
22 congestion chassis shortages, other issues. Shippers

1 often faced these charges, despite the fact that they
2 were doing the very best they could and the situation
3 was out of their control. And in the height of the
4 pandemic, the sheer volume of imports was simply
5 crowding out exports. And there were even reports of
6 ocean carriers simply ignoring exporters' needs in order
7 to get empty containers back to Asia to fill with
8 additional imports for U.S. consumers because they were
9 making so much more on the imports than they could on
10 the exports. Even if the exports seemed like they were
11 costing more money, the carriers were still making a lot
12 more on the on the imports.

13 Now, fortunately, the worst of these supply
14 chain problems that was experienced at the height of the
15 pandemic have abated. We're no longer seeing that port
16 congestion, those lines of ships you all saw on the
17 news. The skyrocketing fees that were common have
18 abated. But I do think it's very important to know that
19 just because all of this has been reduced doesn't mean
20 that the underlying problems and difficulties have all
21 been solved. We're working on solving a lot of those,
22 partly for now and partly for the next crisis when it

1 occurs, because one thing that we've all learned is
2 supply and demand cannot be predicted when it comes to
3 ocean freight. So we need to be ready.

4 Now, of course, a lot of the reason why things
5 have gotten better was due to the changing market
6 forces, but I do believe that the Commission has done
7 really important work in holding carriers accountable
8 for the unfair and unreasonable practices that they
9 might have been doing it at the height of the pandemic.
10 Our caseload has roughly tripled compared to just a
11 couple of years ago. And the record amounts of fees to
12 ocean carriers, the record amounts of fees, have been
13 canceled or refunded. And this trend of refunding and
14 canceling fees has continued long after the congestion
15 started declining. So it's not just due to the fact
16 that congestion meant there were more fees and,
17 therefore, more fees were refunded. The carriers are I
18 think beginning to understand that excessive fees that
19 can't be helped by the shipper are not going to be
20 tolerated.

21 We also have a new fast track charge complaint
22 process. And that alone has been responsible for about

1 a million dollars in waived fees.

2 Now, as a former congressman it gives me a lot
3 of pain to say it, but I have to give a lot of credit to
4 Congress because last year, they passed on a broad
5 bipartisan basis the Ocean Shipping Reform Act of 2022.
6 And that sent a message that the ocean carriers abusing
7 detention/demurrage system or unreasonably refusing
8 exports will no longer be tolerated.

9 When the President signed that into law in
10 June of last year, it was the first major change to the
11 international ocean freight shipping laws in nearly a
12 quarter of a century. Obviously, a lot has changed in
13 shipping since then. So in my view, it was well-needed.
14 And it did give the FMC additional funding, as I
15 mentioned earlier, and additional authorities.

16 Now, a large part of the reason why it
17 happened was due to America's agricultural groups and
18 their constructive involvement with us at the FMC and
19 with the Congress. So although the supply chain
20 conditions have greatly improved, we know there are
21 going to be future challenges and anything in global
22 events could change that at one of the big shipping

1 conferences, ocean shipping conferences, out in L.A.
2 General Petraeus was actually the guest, and he was
3 saying that the era of benign shipping is over. One of
4 the things he was talking about was just how challenging
5 it's going to be in the future to predict the events
6 that might create issues with our supply chain, and we
7 need to be ready.

8 Now, everything I've been discussing involves
9 international ocean shipping, but there are a lot of
10 other kinds of things that involve shipping. And it can
11 be confusing. I mean, what about domestic shipping?
12 For instance, if you are shipping produce to Hawaii or
13 to Puerto Rico, that actually is not regulated by us.
14 That's regulated by the Department of Transportation's
15 Maritime Administration as is aid to foreign countries,
16 like USAID aid. That's foreign countries. A lot of
17 stuff like food safety is regulated at the ports by FDA.
18 There's a number of other things. Obviously, ship
19 safety if you're dealing with hazardous cargo is going
20 to be the U.S. Coast Guard.

21 What about environmental issues? Well, that's
22 usually the EPA or the Coast Guard. I know there's been

1 a lot of talk about Mississippi and the record low water
2 levels in Mississippi and the need for dredging and
3 stuff. Of course, dredging is the Corps of Engineers.
4 But we at the FMC, although we're concerned with this
5 issue because it does affect international ocean
6 shipping -- if you can't navigate the Mississippi, then
7 there's going to be an effect on international ocean
8 shipping. And that's very, very important. And so we
9 monitor it. We try to figure out what's going on.
10 We're interested. But we don't have any power as an
11 agency to change any of those things.

12 Other kinds of things that might be regulated,
13 like Customs and Border Patrol and things like that,
14 have to do with like a drug interdiction and that sort
15 of thing. So there are so many different agencies that
16 affect various kinds of ocean shipping. It's both
17 domestic and foreign and all of that. If you truly
18 understand exactly what agency does what, then I think
19 maybe you're not trying hard enough because it is
20 genuinely very, very confusing.

21 Now, the one thing I will say that the FMC
22 does do is if you call our Consumer Affairs Division --

1 and the number is right on our website -- and you say,
2 "Look, I don't think you guys handle this, but I'm
3 having trouble with this," they'll tell you where to go,
4 right? If they don't know, they'll find out. And so we
5 do try to make sure particularly that our exporters and
6 importers are helped. Even if we're not the ones
7 helping them, we try to point them to the right
8 direction.

9 I was a congressman for a couple of terms.
10 And one of the things that was a really positive
11 experience for me was the constituent service. And I
12 tried to take that. And I think my fellow commissioners
13 here at the FMC agree. And, frankly, I think Chairman
14 Benham is of the same mindset that we still have
15 constituents. Mine aren't confined to a district
16 anymore, but they are the people who export, people who
17 import important products. And my district was largely
18 agricultural. It had a city in it, but the city was
19 only 20 percent of the population. And I do believe
20 that American farmers can feed the world, but we need to
21 make sure that they get their products and they have the
22 ability to get their products to the people who need

1 them. And so in that, I do think we all have different
2 roles to play, but we all have that same goal to try to
3 help.

4 And that that's all I have to say, but I'm
5 happy to take any questions or engage in any discussion,
6 still no video, which, unfortunately, took a --

7 CHAIRMAN HERNDON: Buddy, I see you're --
8 sorry. Sorry, Chairman Maffei. Somebody raised their
9 hand from the panel, a member.

10 MR. MAFFEI: Great.

11 CHAIRMAN HERNDON: Buddy, do you want to go?

12 MR. ALLEN: Thank you, Scott. And thank you,
13 Chairman Behnam and Chairman Maffei. It's encouraging
14 to see these two agencies sharing information and
15 working together so I appreciate that occurring today.

16 Chairman Maffei, first of all, thank you for
17 the good work on the implementation of OSRA.

18 MR. MAFFEI: I can't see you, but is this
19 Buddy? I assume it is.

20 MR. ALLEN: It is. It is.

21 MR. MAFFEI: Okay. Good. Good.

22 MR. ALLEN: I've got two issues that I want to

1 raise and get your thoughts on that affect both our
2 members and many of the people on this call who are
3 containerized shippers of ag products: jurisdiction and
4 cargo receiving. We advocate for -- and I've told you
5 this before. We think the Federal Maritime Commission
6 should have clear and expanded jurisdiction for a move
7 across the entirety of a maritime bill of lading. So if
8 we start with goods in the interior by truck, by rail,
9 then by vessel, we'd like to see that entirety of that
10 maritime BL be under your jurisdiction. There's
11 tremendous uncertainty around that now.

12 The second thing is cargo receiving. As we
13 have expressed before, when you have multiple carriers
14 sharing space on a vessel, you've got three or four
15 different timelines and regimes of rules around when
16 containers are taken and removed. In many cases, they
17 conflict with the terminal operator. And, then, what
18 they are is inconsistent and in our opinion unreasonable
19 as far as the amount of lead time they give. It takes
20 us weeks in the interior to get warehouse appointments.
21 We get hours' notice when ERDs change from ocean
22 carriers.

1 So my question around all that to you is, do
2 you feel like OSRA has given you the authority you need
3 to address those issues or is this something that we
4 should be advocating for in subsequent legislation? I
5 know that's being contemplated on the Hill now. Thank
6 you for taking the question.

7 MR. MAFFEI: Yes, yes. Well, yes, absolutely.
8 And I enjoyed watching your testimony. I thought you
9 did a great job. Actually, I thought all four panelists
10 did a great job at that hearing. Even if I disagreed
11 with a few of what people were saying, they certainly
12 made good arguments. And everything was very
13 substantive, sort of what congressional subcommittee
14 hearings are supposed to be back in the old days, when
15 we actually talked about policy and didn't just
16 grandstand.

17 Anyway, to answer this, I think the second
18 part of your question is a bit harder to answer the
19 specific question, but do we have the authority? I
20 think we probably do, but it depends on kind of what
21 those solutions are. And because of the complexity of
22 the problem, as you mentioned, various carriers

1 sometimes sharing space on the same ship, but also a
2 number of other things, different terminals have
3 different policies, the clock for when a container
4 arrives and when the "free time" starts is different,
5 and all those sort of things, all of that has to be
6 unwound. The main thing is transparency, right? Your
7 shippers deserve to know when they're supposed to be
8 there, when they're not. And if something comes up
9 that's unavoidable, well, that's fine, but that should
10 be communicated, too, openly, right? If a ship has to
11 be delayed because there is a storm out at sea, well,
12 that's not anyone's fault, right? But it still needs to
13 be communicated. So we're doing a lot of work on that.

14 Carl Bentzel in his own office -- so this is
15 not a product of the commission per se, but I asked him
16 to volunteer. And he did once I asked him to look at a
17 lot of the data issues. And other agencies are looking
18 at this, too, DOT and the White House even, but we want
19 to make sure we have a seat at that table because of the
20 particular folks that that we service, particularly ag
21 exporters being a main one of those.

22 As you know, Commissioner Dye is quickly

1 becoming the one of the foremost experts in the nation
2 on ERDs and how to get a better handle on that. So do
3 we have enough authority? I don't know yet because I
4 don't know what the solutions are. And that's part of
5 the issue. As I told one of the sponsors of the bill,
6 Congressman Dusty Johnson, I'm still eating a bowl of
7 Cheerios of the first bill. So I don't quite know
8 whether I'm going to be hungry for another bowl.

9 But I will say I can be a little more specific
10 on your first point, which is the end-to-end. So the
11 current ocean shipping laws do give us jurisdiction over
12 any container that comes from the water for
13 international shipping or goes to it. So even under
14 current law, even before OSRA, our authority didn't stop
15 at the water's edge per se. That said, though, as so
16 know so well, Buddy, it is limited by the fact that we
17 can't fine railroad. We can't fine an interior
18 facility. We're only allowed to fine regulated
19 entities, which are the three kinds of entities I
20 described basically: terminals; the carriers; and,
21 then, these intermediaries. And a lot of those
22 different things are not considered intermediaries by

1 the law. So if you wanted us to be able to do that --
2 and I think that's what your testimony basically said --
3 then we would need more authority.

4 But I will say this. My personal view is not
5 that we need it. It's just that somebody needs it. I
6 am happy as an agency to work with my friends at the
7 Surface Transportation Board, for instance. And I have
8 several friends on that, like personal friends I've gone
9 back years and years with. And if they had the
10 authority, I don't mind working with two agencies
11 working together, particularly since we're both
12 independent agencies. The problem is, is I don't think
13 anyone has the authority. So in that sense, I do think
14 legislation is needed.

15 Whether it's needed to give us the authority,
16 I know I'm not supposed to say, "Oh, my agency doesn't
17 need authority." In bureaucracy school, we're all
18 trained to grab more and more stuff. But it really
19 doesn't matter to me as long as there's somebody I could
20 turn to and work with. I mentioned all those agencies
21 that regulate different things. We work with all of
22 them from time to time. That's fine. I mean, that's

1 the way it's supposed to work, right?

2 And different agencies have different
3 specialties. We don't have environmental specialists
4 here. So I'm not mad that we don't do environmental
5 regulation. That's not what we're supposed to do I can
6 work with others to find out if I need to find out. But
7 that's the problem.

8 So if you want to give it to us, that's up to
9 you and the Congress. If they want to give it to
10 someone else, that's fine. And we will work with them.
11 But somebody should have the ability to regulate
12 intermodal shipping issues.

13 MR. ALLEN: Thank you, Chairman.

14 MR. MAFFEI: Thank you.

15 CHAIRMAN HERNDON: Tommy, do you have a
16 question?

17 MR. HAYDEN: Yes, I do.

18 MR. MAFFEI: We could give it to the CFTC.
19 Maybe the CFTC wants it. I don't know.

20 Go ahead with your next question.

21 MR. HAYDEN: No. Thank you, Chairman Maffei.
22 This is Tommy Hayden. I'm representing the Commodity

1 Markets Council on the Ag Advisory Committee. I am the
2 current chairman of American Cotton Shippers. And I've
3 met with you several times along with Buddy. So I
4 really would like to follow on that and thank Chairman
5 Behnam for including you in this conversation.

6 We did discuss during our last AAC meeting
7 about how these supply chain disruptions do impact ag
8 markets. I mean, it creates shortages of supply, long
9 lead times, we lose sales, et cetera, et cetera.

10 But I do want to thank you and particularly
11 your acknowledgment about the ag group's engagement with
12 you during the OSRA rulemaking process and also
13 acknowledging that, although the supply chain issues
14 have eased somewhat, that there's still fundamental
15 issues that need to be addressed. And my point on that
16 is I really want to focus on chassis choice. It is
17 something that we've been advocating for a long time and
18 to really commend the administrative law judge's
19 decision, realizing that that has been appealed by
20 OSIMA, but regarding the exclusive agreements that
21 prevent basically merchant haulers from choice, from
22 choice in picking their chassis. So didn't know if you

1 had any comment on that or realizing that it's probably
2 in appeal, that you may not be able to comment. But
3 that's something that it definitely impacts ag shippers.
4 And I just wanted to highlight here for the Committee.

5 Thank you.

6 MR. MAFFEI: Yes. Thank you, Tom. Well,
7 first of all, I do appreciate you acknowledging my
8 shoutout. And, frankly, I didn't in a way give you
9 enough credit, I mean, because, particularly, there's a
10 number of agriculture groups that, really, they both
11 came to us at the FMC and to Congress, but, also, they
12 went to the carriers, right? They didn't throw up their
13 arms and say, "Well, there's nothing we can do," et
14 cetera, and they work very constructively. And,
15 frankly, I looked down. I'm not going to call anyone
16 out. But I looked down at the list of participants on
17 the -- it's many of you, which shouldn't be a surprise
18 because, obviously, you're involved in the CFTC's
19 Advisory Board. But that is part of the thing, the
20 ability of these farm groups to work within the system
21 but change while you're changing the system also. So I
22 really do thank for that.

1 Yes. So I do appreciate your comment because
2 it is something that the FMC is looking at, but we
3 actually do have these dual roles of while we do a lot
4 of the policy, also, when something is appealed, when
5 something comes to one of our administrative law judges
6 as appeal, the first court of appeal, if you will, is
7 the five of us commissioners. So because of that, I
8 cannot comment on that particular case. But believe me,
9 I'll be very involved in looking at it. And once it
10 does come to us comes before us at the appropriate time,
11 you'll obviously hear what I have to think. But I need
12 to be able to consider the case as it is as an
13 individual case without any previous thoughts.

14 MR. HAYDEN: I completely understood. Thank
15 you.

16 MR. MAFFEI: No. Thank you.

17 CHAIRMAN HERNDON: Any other questions from
18 AAC members?

19 (No response.)

20 COMMISSIONER BEHNAM: Scott, I'm going to jump
21 in.

22 Chairman Maffei, thanks for joining us. This

1 has been super helpful. I'm sure you share this with
2 me. These are the moments that make me super happy that
3 we can bring together folks from the administration and
4 demonstrate, obviously, the fact that we're working
5 together but also that we have shared interests in terms
6 of our markets, who we oversee, and who our stakeholders
7 are, as you said who our constituents are.

8 MR. MAFFEI: Yes.

9 COMMISSIONER BEHNAM: So I really appreciate
10 you taking the time. And it's great to see that we have
11 that engagement ongoing with some of my members, who
12 have obviously been actively talking to you.

13 Quick question before we wrap and let you go.
14 Given that China is a huge importer of U.S. agricultural
15 goods, do you have any thoughts, especially given the
16 last few years, pre-COVID, COVID, the lockdown?
17 Anything from a China shipping perspective or ports
18 perspective that you all have to deal with in a narrow
19 sense or is it broader than just any one particular
20 jurisdiction?

21 MR. MAFFEI: Chairman Behnam, thanks for that
22 question. I will answer that, but then I have a

1 question for you.

2 COMMISSIONER BEHNAM: Yes.

3 MR. MAFFEI: Well, I'm not going to say I'll
4 answer the question because it's too -- I wish I had
5 more answers, but I will address the question. Look,
6 China, there's been a lot of talk about diversification
7 of markets for importers -- right? -- that we've got to
8 not just depend on China to make our manufactured goods,
9 similar for exporters, of course. China should not be
10 our only market. Now, that's not as big a deal for
11 exporters because a lot of exporters have much more
12 diversified markets. But you're talking about some of
13 the big commodities. China is by far the biggest.

14 We also can't give up on China, particularly
15 as a trade partner. We are very, very linked, with all
16 sorts of trade ties. In the work that I do, I'm very
17 cognizant of broader issues that involve China, right?
18 I'm not going to go to China if I feel like I just can't
19 go because of broader issues but in terms of the work
20 that we do with the Chinese government, their maritime
21 authority.

22 There is a carrier called a controlled carrier

1 because it's largely owned by the Chinese government
2 called COFCO, but we do regulate them. And we subject
3 them to the same rules, the same restrictions as we do
4 the other carriers. And I'll be honest with you. This
5 is a reason not to give. You say, "Oh, Chinese
6 carriers." I know there's a lot of skepticism,
7 including from me, by the way, through the years, but
8 COFCO is one of the most improved in terms of exports.
9 They're now exporting a higher percentage of the overall
10 export market than they're doing imports in the import
11 market. They're still doing far more imports than
12 exports. That's just the nature of it. But they have
13 improved. So it's not that they're totally
14 unresponsive.

15 And I'll just sort of say that's my thought
16 again, individually, me, not the Biden Administration,
17 not anybody else necessarily, but it's just we also
18 can't give up on China. It's a very big and complex
19 country. There's so much demand there for our
20 agricultural goods. I mean, if you just talk to
21 somebody from China, talk to anybody from the embassy,
22 you have any sort of honest conversation, I mean, and it

1 it's true all over the world, and we both have an
2 interest in getting more of our agricultural exports
3 into China. So while at the same time we can be
4 concerned about their leadership and some of their big
5 positions and while we all should diversify because the
6 risk in anything is, putting too many eggs in any basket
7 is, too strong. We do have to continue to engage with
8 China and understand how big a market that that is. And
9 it's going to continue to be. I mean, maybe even bigger
10 in the future. That's about the best I could do with
11 that.

12 I do have a question for you. So, I mean,
13 Chairman Benham, as I said, can take the exact same
14 attitude as we do here. I hope we do as well as he does
15 in terms of serving constituents.

16 But I didn't realize until recently that he's
17 got not as many central New York routes as I do, but he
18 certainly has family in central New York. And you go up
19 to upstate New York, and you go to dairy farms every
20 couple of years. Is that right?

21 COMMISSIONER BEHNAM: That is absolutely
22 right. And thanks to one of our members here, Dairy

1 Farmers of America and Ed Gallagher, who I make it a
2 point to get up to Syracuse and do some trips along 90,
3 east of Syracuse --

4 MR. MAFFEI: Yes. So here is my question to
5 you.

6 COMMISSIONER BEHNAM: -- and north and south
7 on 83. Yes.

8 MR. MAFFEI: Yes exactly. Here is my
9 question. The thing is I figured when I became a
10 congressman, I would get to milk a cow. And the
11 problem, of course -- it's not a problem. The cows are
12 milked by machine, right? I mean even "a relatively
13 small dairy farm." We're talking about thousands of
14 head. And so I've never milked a cow. Now, I have
15 milked a goat.

16 But my question to you, Chairman Behnam, is,
17 have you ever milked a cow?

18 COMMISSIONER BEHNAM: I've definitely milked a
19 cow in Wisconsin, though, not in New York, Wisconsin
20 cows, not New York farms, but I'll make that a point on
21 the summer trip this year. I'll make sure well --

22 MR. MAFFEI: Well, you and I will have to meet

1 up because, like I said, I've never actually milked a
2 cow by hand I don't know how. All I know is it is
3 different from a goat but --

4 COMMISSIONER BEHNAM: You've got to get our
5 hands dirty.

6 MR. MAFFEI: Yes. Yes. So all of you should
7 still beware of us city kids. That's all I have to say.

8 COMMISSIONER BEHNAM: Thanks, Chairman. This
9 is great. I'm not seeing any other --

10 MR. MAFFEI: Thank you. I'm so sorry it
11 didn't work out to come to you visually but next time.

12 COMMISSIONER BEHNAM: Yes. We'll continue to
13 work together, appreciate all of your work.

14 MR. MAFFEI: Take care. We have an open door.

15 COMMISSIONER BEHNAM: Thank you.

16 Scott, I'll hand it back over to you.

17 CHAIRMAN HERNDON: Thank you, Mr. Chairman.

18 So now that the Committee has had an
19 opportunity to hear from all of the different
20 presenters, we would like to open up the floor to take
21 topics for the next meeting, which is scheduled for July
22 19th. Certainly we could change over. Based on the

1 survey that I sent you all, July 19th is what we picked.
2 And so we'd love to hear topics, topic suggestions. And
3 I would say if you submitted topics in December, feel
4 free to offer those same topics now because we obviously
5 didn't get to all of the topics that were presented in
6 December.

7 MR. BARKER: If I may, I will offer up I think
8 the CME is still moving forward with changing their SPAN
9 margining program and the way that's going to impact
10 margining of our commodity markets. So I still think a
11 better understanding of that would be good, of the SPAN
12 2 margining.

13 CHAIRMAN HERNDON: Thanks, Joe.

14 Ed?

15 MR. PROSSER: Scott, as I listened to the
16 presentation around biofuels today and particularly the
17 carbon credits, the macro view of what's going on in the
18 industry was particularly interesting as it relates to
19 the Commission and its role in price discovery, digging
20 deeper into getting those credits, which I guess would
21 be assets, and understanding the Commission's role in
22 helping make public the price discovery process around

1 those assets. And I don't know if that's going to
2 require standardization, but I do think that one of the
3 panelists mentioned about how confusing kind of this
4 myriad of programs and credits and insets and offsets
5 and all of that, but from the perspective of the
6 Commission and derivative I think certainly has a role
7 to play in price discovery and on our way to a buck, 50
8 a bushel I think would change the world, obviously, in
9 the way we produce corn.

10 But I think maybe pulling on those a little
11 bit and getting deeper into the price discovery
12 mechanism might be worth the Advisory Committee's time.

13 CHAIRMAN HERNDON: Great. Thanks.

14 Joe, back to you.

15 MR. BARKER: As a follow-up to that, there was
16 a comment made about the new products that have been
17 listed. And I'll tell you I'm just learning about one.
18 ICE has listed a WREN futures. And I still don't know
19 enough about it. And I would think the entire
20 marketplace might like to learn about some of these new
21 products that have been listed that go along with our
22 push to be more green.

1 CHAIRMAN HERNDON: Okay. Great. I should
2 expand on the topic request. If there is anything you
3 would like us to expand on -- I think, Ed and Joe, like
4 you are asking us to expand on biofuels, it sounds like,
5 a little bit. But if there are any other topics from
6 prior meetings or diving into a deeper discussion of
7 topics today, certainly that is open as well for
8 suggestion.

9 Mark?

10 MR. MCHARGUE: Yes. Possibly some more
11 discussion on as far as our exchanges go forward, I
12 think it's really important that we ensure that that
13 basic market information, historical closes, daily
14 settlements, that those all stay in front of paywalls.
15 And I'd be interested in maybe a little more
16 understanding of why some data is behind paywalls and
17 how we're going forward to ensure that the public has
18 access to all the data that we have available.

19 CHAIRMAN HERNDON: Thank you. Any other
20 Suggestion? And certainly folks can email either me or
21 Swati after this meeting. You don't have to think of
22 everything right now. But I guess I'm not seeing any

1 other comments and would just like to thank everyone for
2 their participation today. And as we consider your
3 suggestions for the next meeting, we've heard a lot of
4 informative insights today and on the state of ag
5 markets and issues affecting market participants in
6 these markets. And I'd like to thank all of you and the
7 guest panelists for your participation. And we look
8 forward to the ongoing work of the AAC in our next
9 meeting in July.

10 Now I'll turn it over to Swati for closing
11 remarks.

12 MS. SHAH: Thank you, Scott. I will now
13 recognize Chairman Behnam to give his closing remarks.

14 COMMISSIONER BEHNAM: Thanks, Swati.

15 Not much to say. Great morning. And I
16 appreciate everyone's contributions. Those are really
17 very diverse panels and discussions but I think all
18 important to have that conversation.

19 And, as Scott pointed out, I am here, we are
20 here to elevate issues that are of importance to all of
21 you. So, notwithstanding the few issues that were
22 raised by Mark, Joe, and Ed, which are important and

1 we'll see what we can do to take those up and dig in a
2 little bit deeper, as you do have other things pop up,
3 let us know. And this is the sort of genesis of what
4 we're doing now. Good, efficient meeting today. We'll
5 try to do one, as is scheduled, for July and then one
6 towards the end of the calendar year.

7 And I really do enjoy bringing folks in from
8 other parts of the administration. Chairman Maffei's
9 request and the invitation was really in response to
10 some issues that, as Buddy pointed out, he and I had a
11 discussion back in the late fall and early winter and in
12 addition to Tommy as well. So if there are folks that
13 we can bring in, even if it doesn't necessarily touch
14 our direct markets or that there's policy that we can't
15 necessarily implement, this is a forum to have a
16 discussion to help improve American agriculture
17 production, sale, shipping, and everything in between.
18 So I want to do whatever I can to facilitate these
19 conversations so that we can across the board improve
20 policy and make American agriculture stronger, better
21 for many, many years ahead given all of the challenges
22 that we're facing across the globe.

1 So special thanks to Swati; Scott, you as well
2 as chair. These things don't happen without your
3 preparation and getting everyone on board and getting an
4 agenda sketched out for us. And you did that really
5 well. And thanks to my Commissioners for chiming in a
6 little bit earlier at the beginning.

7 But looking forward to the next meeting in
8 July. And, as always, available if you guys need me but
9 best of luck, and we'll talk to you soon.

10 Swati, I'll hand it over to you.

11 MS. SHAH: Thank you, Chairman Behnam. Thank
12 you all, to the AAC members and guest panelists, for
13 your participation at today's meeting. The meeting is
14 now adjourned.

15 (Whereupon, at 12:00 noon, the meeting was
16 adjourned.)

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