

1 UNITED STATES COMMODITY FUTURES TRADING COMMISSION

2

3 AGRICULTURE ADVISORY COMMITTEE

4 MEETING

5 (AAC)

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9 Wednesday,

10 July 19, 2023

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19 Three Lafayette Center

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## 1 APPEARANCES

## 2 CFTC COMMISSIONERS

- 3 - Chairman Rostin Behnam
- 4 - Commissioner Christy Goldsmith Romero
- 5 - Commissioner Summer K. Mersinger
- 6 - Commissioner Caroline D. Pham

## 7 AAC MEMBERS

- 8 - Scott Herndon, Field to Market, AAC Chair
- 9 - Buddy Allen, American Cotton Shippers Association
- 10 - Joe Barker, National Council of Farmer
- 11 Cooperatives
- 12 - Chris Betz, Michigan Agri-Business Association
- 13 - Robbie Boone, Farm Credit Council
- 14 - Layne Carlson, Minneapolis Grain Exchange
- 15 - Gerald Corcoran, Futures Industry Association
- 16 - Patrick Coyle, National Grain and Feed
- 17 Association
- 18 - Ed Elfmann, American Bankers Association
- 19 - Edward Gallagher, National Milk Producers
- 20 Federation
- 21 - Thomas Haag, National Corn Growers Association
- 22 - H. Thomas Hayden, Jr., Commodity Markets Council

- 1 - Jered Hooker, American Soybean Association
- 2 - Bryan Humphreys, National Pork Producers Council
- 3 - Jeff Lloyd, Archer Daniels Midland
- 4 - Michelle Mapes, Green Plains Inc.
- 5 - Mark McHargue, American Farm Bureau Federation
- 6 - Cynthia Nickerson, US Department of  
7 Agriculture/Office of the Chief Economist
- 8 - Michael Ricks, Cargill
- 9 - Bella Rozenberg, ISDA
- 10 - Derek Sammann, CME Group
- 11 - Troy Sander, National Cattleman's Beef  
12 Association
- 13 - Liam Smith, Futures Industry Association,  
14 Principal Traders Group
- 15 - Curt Strubhar, Grain and Feed Association of  
16 Illinois
- 17 - Wes Uhlmeier, Demeter Logistics
- 18 - Hayden Wands, American Bakers Association
- 19 - Ryan Weston, American Sugar Alliance
- 20 - Jason Wheeler, USA Rice Federation
- 21 CFTC STAFF
- 22 - Swati Shah, Designated Federal Officer

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

2 MS. SHAH: Good morning and welcome to today's  
3 meeting of the CFTC's agricultural advisory  
4 committee. As the designated federal officer, I  
5 hereby call this meeting to order. I would like to  
6 extend a warm welcome to Chairman Behnam and  
7 Commissioner Goldsmith Romero and thank them for  
8 joining today's meeting.

9 Thank you to all the members of the committee  
10 and the guests speakers for their time today. To  
11 begin the meeting, we are pleased to first  
12 recognize Chairman Behnam for his opening remarks  
13 followed by the commissioners. Chairman Behnam.

14 MR. BEHNAM: Swati, thank you so much. And  
15 welcome everyone on a humid day here in Washington.  
16 A few things, I'll be brief. Do want to thank my  
17 fellow commissioners, Commissioner Mersinger and  
18 Goldsmith Romero for being here.

19 I know we're going to hear from some others as  
20 well. Special thanks to Swati and Scott. I know you  
21 guys have been engaged with them over the past  
22 couple of months.

1           We've had a good year so far. We had the  
2 meeting a few months ago and here we are again and  
3 it's a big day. As I said earlier, we got to get  
4 comfortable because we're going to have the  
5 voluntary carbon markets meeting later and this was  
6 very intentional. We wanted you guys here to be a  
7 part of the conversation.

8           There was some debate whether or not we split  
9 up the two meetings but given your role and I think  
10 the interest we've seen from the committee in this  
11 emerging voluntary carbon markets discussion, I  
12 thought it was really important to have you all  
13 here to provide input to see what you're  
14 experiencing on the ground and how you can add  
15 value to that conversation.

16           But before we get there in the next hour and a  
17 half or so, we're going to have two very important  
18 conversations. One about access to markets. This is  
19 an issue that came up, I think, within the  
20 committee's deliberation a year ago or so when we  
21 thought about what issues we needed to discuss.

22           I think this is, given the challenges we're

1 facing both geopolitical, climate and just market  
2 conditions that are very volatile and very  
3 uncertain, ensuring that all of you have access to  
4 futures markets becomes that much more critical

5       And I think we've seen obviously concentration  
6 in the market over the past few decades. We've seen  
7 fewer points of access for smaller end users to the  
8 markets over the past few decades.

9       And our goal would certainly be here today to  
10 start to investigate why we're seeing those trends  
11 and if there's anything we can do collectively as  
12 both a regulator and commercial end users to  
13 reverse those trends so that you continue to have  
14 access.

15       With all of these challenges we're facing, you  
16 need every tool in your toolbox to manage risk. And  
17 the futures markets given their history and given  
18 the role of the CFTC has played with respect to  
19 agriculture and production agriculture more  
20 specifically, ensuring that these markets are here  
21 for you becomes one of our biggest priorities if  
22 not our number one priority.

1           The number two issue we're going to discuss is  
2 the Mississippi. We also had a conversation about  
3 this. Obviously, a key artery for American  
4 agriculture and getting goods out of the Midwest to  
5 the gulf and across the globe.

6           We provide food and fiber to the rest of the  
7 world and ensuring we continue to do that we need  
8 to make sure our infrastructure, including our  
9 waterways are working.

10           And obviously there's a lot of variables and  
11 externalities that we can't control, most notably  
12 weather but we can certainly do what we have in  
13 terms of authority and relationships with other  
14 agencies.

15           We heard from the Maritime Commission a few  
16 months ago and certainly would welcome the  
17 opportunity to work with other U.S. agencies, both  
18 at the federal level and the state and local level  
19 to ensure that we're doing what we can to make sure  
20 that the Mississippi to the extent we can control  
21 is operating as needed so that goods can flow up  
22 and down as needed.

1           So another important discussion tied to  
2 weather, tied to other critical issues we're facing  
3 today but one that I'm looking forward to and  
4 certainly appreciate all of your contributions.

5           And we'll have a great morning, hopefully a  
6 great afternoon and we'll work from here and work  
7 towards the end of the year having more discussions  
8 around issues that are important to you and  
9 hopefully, as I've said before, my number one goal  
10 is to hear from you so that we elevate challenges  
11 and issues that you're seeing back home so that we  
12 can participate in them, contribute to them and  
13 ultimately find solutions, that's the goal here as  
14 always and bringing everyone together I think is  
15 the first step in accomplishing those goals.

16           So thanks again to everyone who participated.  
17 We've had a busy couple of days, if not -- if not  
18 weeks at the CFTC. I do want to recognize all the  
19 staff that participated in putting these meetings  
20 together.

21           It looks perfect, it takes a lot of time to  
22 make it right and I do want to thank all of those

1 behind the scenes who made today -- to -- made  
2 today happen. So Swati, I'll hand it back to you.  
3 Again, thanks for all of the work that you've done  
4 to get us here today.

5 MS. SHAH: Thank you, Chairman Behnam.  
6 Commissioner Goldsmith Romero.

7 MS. GOLDSMITH ROMERO: Welcome. It's so nice  
8 to see everyone. I appreciate the chance that we  
9 could all be together in person. It's very nice  
10 with your faces and hear from you.

11 So thank you to all the members. Thank you to  
12 Swati. Thank you to Scott. Thank you to Chairman  
13 Behnam for his leadership. I want echo the  
14 chairman's remarks which were -- which were -- I  
15 thought were spot on in terms of what our role is  
16 and what our goals are.

17 I recently heard this quote at a Senate Ag  
18 hearing. That's really a great reminder. The  
19 typical person may occasionally need a doctor or an  
20 attorney once in a lifetime but the same person  
21 three times a day, every single day, needs a  
22 farmer. And so, over the last three years, U.S.

1 farmers, ranchers, and producers have continued to  
2 meet that need, three times a day, every single  
3 day.

4 I say every -- the last three years, it's  
5 obviously been longer but the last three years have  
6 really had a lot of challenges with the pandemic,  
7 rising trade tensions with China, Russia's war in  
8 Ukraine, which, you know, all threatens the  
9 agricultural supply chain.

10 And then, of course, it seems like one of the  
11 most persistent challenges for farmers, ranchers  
12 and producers is the -- is the changing face of  
13 mother nature. We've got shifting weather patterns  
14 and more extreme weather threaten crops and  
15 livestock via hurricane, wildfire, drought,  
16 flooding and they're making it more difficult to  
17 get these products to market.

18 I'm very interested to hear about developments  
19 in the Mississippi River barge traffic.

20 Earlier in the summer, Commissioner Mersinger  
21 and I visited a grain elevator and producer near  
22 Kansas City and there we saw and heard firsthand

1 how historically low water levels in the Missouri  
2 River were affecting the ability to load barges and  
3 ship grain.

4       And so when we were there the producer pointed  
5 out the barges that had the number four painted on  
6 the side which is not normally exposed. And the  
7 fact that it was visible was like a warning sign  
8 about low rivel [sic] -- river levels. And so,  
9 forecasts suggest that ongoing drought in the  
10 Midwest mean that the Ohio and the Mississippi  
11 rivers will reach sort of low stages by the end of  
12 July.

13       And keeping grain barges moving is critical,  
14 as you know. The producer explained to us that what  
15 those low water levels meant was that the barges  
16 couldn't be filled as much as normally and so what  
17 they would do is, they would sort of -- maybe it's  
18 a half load of a barge, move the barge down river  
19 to where it's a little bit deeper but then they  
20 would have to truck the rest of the grain, and then  
21 they would have to find a place where they could  
22 load the grain into the barge.

1           Extra steps mean extra costs and that can hurt  
2 producers and ultimately families who buy their  
3 dinner at the grocery store. It can also create  
4 delays, could cause missed delivery dates, a risk  
5 that end users have to manage.

6           Unfortunately, drought isn't the only  
7 challenge for barge shipping. Rain and melting  
8 snowfall is a welcome sight with much of the  
9 American corn and winter wheat belts suffering from  
10 drought this year, but then too much of it all at  
11 once can cause problems for shipping too.

12           In April, there was a seesaw from the drought  
13 in the fall in the Mississippi River and then  
14 record melting snowfall caused flooding and lock  
15 closures on the -- on upper Mississippi River to  
16 most barge traffic for weeks.

17           And this affected deliveries of grain and  
18 soybeans, and fertilizer in advance of spring  
19 planting. The barges needed to be like offloaded  
20 and then transported by truck or rail.

21           So these are the types of challenge that  
22 really drives home the importance of farmers and

1 producers to access derivatives markets that are  
2 well functioning, that are orderly.

3       When they work right, our markets can help  
4 them manage risk and obtain the certainty they need  
5 to make decisions for the coming year. So core to  
6 our role at the CFTC, as the chairman said, is to  
7 listen and hear what's working, what's not and  
8 that's why this advisory committee is so important.

9       I have my notepad, I have my pen. I am all  
10 ears. I'm listening. As I said at the time of my  
11 confirmation, my number one priority is to make  
12 sure our markets are working well.

13       I will continue to visit with and listen to  
14 our end users and market participants to understand  
15 the challenges that you face and then appropriate  
16 solutions, how we can help. I'm also, of course,  
17 looking forward to hearing from the panel on issues  
18 related to access to FCMs and our markets by small  
19 farmers and end users.

20       So most importantly, thank you for your  
21 service. Very happy to be here and listen to what  
22 you have to say and for all you do to feed and

1 clothe this country. So thank you.

2 MS. SHAH: Thank you, Commissioner Goldsmith  
3 Romero. Commissioner Mersinger.

4 MS. MERSINGER: Good morning everyone and  
5 welcome. And thanks to the chairman for organizing  
6 today's Agriculture Advisory Committee meeting as  
7 well as the voluntary carbon markets discussion  
8 that we'll have later this afternoon.

9 So July in my household is a time for summer  
10 break, weekends at the pool, fireworks and  
11 commemorate in our nation's independence.

12 We celebrate, we relax, occasionally there's a  
13 disruption with an afternoon thunderstorm or maybe  
14 the inescapable yard work that comes with the  
15 season, but we just finished baseball, we just  
16 finished softball and we have this short reprieve  
17 from the packed schedules that we normally have  
18 with school activities and sports.

19 However, I found the only thing I have to do  
20 to kind of ruin that summertime bubble is to call  
21 home and talk to my father. And I'm always quickly  
22 reminded that the month of July was not always so

1 fun and relaxing when I was growing up.

2       So most recently, it's -- I think probably on  
3 Father's Day when I called home and talked to my  
4 dad and I always say, how are things going. Weather  
5 always comes up. And the conversation felt like  
6 déjà vu.

7       Dad said, well, we're in the middle of a  
8 drought and we desperately need rain. He was  
9 worried about shorten growth cycles and crops  
10 drying out from the heat and wind before they  
11 reached maturity, threatening the old -- lower  
12 yields at best and leaving nothing to harvest at  
13 worst.

14       So I gave him one of my typical responses to  
15 this conversation. Well, dad, it's either a drought  
16 or a flood, right. And usually my dad will respond  
17 with more grumbling about his fields and crops and  
18 maybe next year will be better.

19       But this time he said something a little  
20 different that surprised me. He said, no, it's  
21 really bad this year. And I know his conclusion was  
22 not based on science or data but just on what he

1 knows from farming for over 60 years.

2 Now, after so many years working in  
3 Washington, I rarely take what someone tells me at  
4 face value and try to do a little more research on  
5 my own.

6 So I did go to NOAA's drought monitor to kind  
7 of see how this drought compares to previous  
8 summers' days that were always hot and dry and rain  
9 was never in the forecast. And according to the  
10 website, January through May of 2023, those months  
11 were recorded as the driest in the state of South  
12 Dakota in 129 years.

13 So what I found out based on my quick research  
14 is dad was right, it is really bad. But the impacts  
15 of dry conditions go far beyond crop health and  
16 yields.

17 As we've heard from previous AAC meetings, and  
18 I believe we'll talk about it again today, is that  
19 these affects are up and down the supply chain with  
20 low water levels complicating barge traffic and  
21 moving the grain to various ports for exporting,  
22 decreasing available grazing land for livestock,

1 player -- placing higher demand on feedstock like  
2 corn.

3       The overall agriculture economy feels these  
4 impacts and we see the effects on the broader  
5 economy as well. That's why the derivatives markets  
6 we regulate at the CFTC are critical during times  
7 of economic hardship and our job as regulators is  
8 to ensure those markets function well in their role  
9 of providing sound price discovery and hedging  
10 tools. And we can't do that job without  
11 understanding what is happening in the fields,  
12 pastures, and in our waterways.

13       The updates and information from the experts  
14 before us today will help us fulfill that  
15 responsibility. So again, thank you to the chairman  
16 for holding today's meetings.

17       Thank you to the panelists and the  
18 participants and committee members and certainly  
19 all the staff for all your hard work in organizing  
20 today's meeting. Thank you.

21       MS. SHAH: Thank you, Commissioner Mersinger.  
22 We have Commissioner Pham joining us virtually.

1 MS. PHAM: Good morning and welcome to this  
2 meeting of the Agriculture Advisory Committee.  
3 Thank you to Chairman Behnam, Designated Federal  
4 Officer Swati Shah and the rest of the CFTC staff  
5 that helped arrange this meeting.

6 I would also like to thank the AAC members and  
7 speakers here today for your time and service. I  
8 also like to note that in the United States, and  
9 much like the birth of our country, agriculture is  
10 where this agency began.

11 The CFTC connection to agriculture and the  
12 agenda we have today demonstrates the agency's  
13 grounding in the real economy and the importance of  
14 agricultural derivatives just as my fellow  
15 commissioners have echoed.

16 Having grown up in California's central  
17 valley, the food basket of the world, I know the  
18 vital role of the agriculture economy to the United  
19 States' overall GDP.

20 Looking at the agenda and just to make a  
21 personal note, I want to highlight that the  
22 importance of the Colorado and Sacramento rivers to

1 California's agricultural industry underscores the  
2 necessity of maintaining healthy riverways.

3 Drought has historically had significant  
4 impact on California often causing downstream  
5 agricultural disruptions. For example, due to  
6 drought conditions in the region, pressure has been  
7 placed on California's farmers, ranchers and  
8 producers to curtail water usage from the Colorado  
9 River.

10 But California's agricultural outset accounts  
11 for over a third of the country's vegetables and  
12 three quarters of the country's fruits and vegs.

13 Similarly, with reoccurring drought conditions  
14 along the Mississippi River could impact the  
15 agricultural sector by drastically reducing  
16 shipping capacity due to lowered water levels.

17 The Mississippi River moves 500 million tons  
18 of agricultural products annually representing an  
19 average value of 130 billion in commodities per  
20 year. Considering the agricultural significance of  
21 the Mississippi River, drought related shipping  
22 restrictions could impose substantial costs on the

1 agricultural industry.

2 I appreciate that the AAC is examining this  
3 issue because of its importance to the commodities  
4 market. Supply chain and logistics disruptions  
5 impose significant burdens on the derivatives  
6 markets by increasing counterparty risk and  
7 premiums in the cash market. These affects can lead  
8 to larger volatility and surprise spread across the  
9 derivatives market.

10 And considering current supply chain  
11 disruptions in rail and chassis methods of  
12 transportation, as we heard at the first GMAC  
13 meeting earlier in February, the preservation of  
14 the Mississippi River as a viable shipping channel  
15 is especially important.

16 I also appreciate that the AAC is examining  
17 agricultural market participants' access to futures  
18 commissions merchants and to our market. Access to  
19 markets is one of my three core values as a  
20 commissioner, together with growth and progress.

21 FCMs have traditionally cited challenges to  
22 the business model considering high technology

1 costs, high compliance costs and increasing capital  
2 requirements leading to a contraction in the FCM  
3 market as available clearing providers.

4 In the past several years, certain FCMs are  
5 now subject to higher capital requirements for  
6 customer clearing due to the implementation of the  
7 standardized approach to counterparty credit risk,  
8 or SA-CCR, under Basel III.

9 The SA-CCR methodology may disincentive firms  
10 from offering clearing services to end users by  
11 increasing capital charges disproportionately to  
12 the risk posed by the activity.

13 All these increased pressures to the FCM  
14 business and operating model have likely  
15 contributed to the further concentration of  
16 clearing numbers in the United States. As the  
17 number of FCMs has continued to decline, fewer and  
18 fewer FCMs now hold more and more total margins.

19 This continued development could pose problems  
20 for agricultural hedgers who have historically  
21 relied on a robust clearing ecosystem.  
22 Consolidation may pose systematic risks by

1 amplifying the ramifications of the failure or  
2 withdrawal of a major provider.

3 I look forward to hearing firsthand from  
4 market participants that are trying to run a  
5 business in this challenging environment. And I'm  
6 especially interested in hearing about any  
7 potential solutions. The health of the agricultural  
8 economy is critically important to all Americans.

9 Thanks again to Chairman Behnam, AAC members  
10 and speakers. I look forward to the discussion.

11 MS. SHAH: Thank you Commissioner Pham. Before  
12 we begin today's presentation, I want to remind all  
13 participants in today's meeting to please make sure  
14 your -- to mute your microphone when you are not  
15 speaking.

16 After each presentation today, there will be a  
17 dialogue segment where members of the committee,  
18 the chairman and the commissioners will have an  
19 opportunity to provide comments or ask questions.

20 If you would like to speak, please turn your  
21 name hat to the right. If you are joining  
22 virtually, please use the raise hand function in

1 Zoom.

2 When called upon, please identify yourself and  
3 the organization that you represent on the  
4 committee. Scott, I'm going to turn the meeting  
5 over to you now.

6 MR. HERNDON: Thank you, Swati. And thank you  
7 Chairman Behnam, Commissioner Goldsmith Romero,  
8 Commissioner Mersinger and Commissioner Pham.

9 We want to make sure that these meetings are  
10 as relevant as possible to the members. And so, in  
11 that spirit, please keep Swati and me posted of  
12 suggested topics for our next in-person meeting  
13 tentatively scheduled for December 13th here in  
14 D.C.

15 I look forward to facilitating the discussion  
16 of members' perspectives to the AAC and working  
17 with AAC members to provide the Commission with  
18 feedback and recommendations that assist the agency  
19 in the oversight of our markets.

20 To ensure that today's discussion is  
21 consistent with the AAC charter, no determination  
22 of fact or policy shall be made by the AAC on

1 behalf of the Commission. Determinations of action  
2 to be taken and policy to be expressed with respect  
3 to the reports and/or recommendations of AAC shall  
4 be made solely by the Commission.

5       So now before we get -- begin our first panel,  
6 we would like to do a roll call of the members and  
7 guests panelists so that we have your attendance on  
8 the record. Swati will lead the roll call.

9       MS. SHAH: Thank you, Scott. AAC members,  
10 after I say your name and organization, please  
11 indicate that you are present. If you're joining  
12 virtually, please make sure your phone is not  
13 muted.

14       Buddy Allen, American Cotton Shippers  
15 Association.

16       MR. ALLEN: Present.

17       MS. SHAH: Joe Barker, National Council of  
18 Farmer Cooperative.

19       MR. BARKER: Present.

20       MS. SHAH: Chris Betz, Michigan Agri-Business  
21 Association.

22       MR. BETZ: Present.

1 MS. SHAH: Robbie Boone, Farm Credit Council.  
2 MR. BOONE: Present.  
3 MS. SHAH: Layne Carlson, Minneapolis Grain  
4 Exchange.  
5 MR. CARLSON: Present.  
6 MS. SHAH: Robert Chesler, United Dairymen of  
7 Arizona.  
8 MR. CHESLER: [no response]  
9 MS. SHAH: Gerry Corcoran, Futures Industry  
10 Association.  
11 MR. CORCORAN: Present.  
12 MS. SHAH: Patrick Coyle, National Grain and  
13 Feed Association.  
14 MR. COYLE: Present.  
15 MS. SHAH: Edward Elfmann, American Bankers  
16 Association.  
17 MR. ELFMAN: Present.  
18 MS. SHAH: Edward Gallagher, National Milk  
19 Producers Federation.  
20 MR. GALLAGHER: Present.  
21 MS. SHAH: Thomas Haag, National Corn Growers  
22 Association.

1 MR. HAAG: Present.

2 MS. SHAH: Thomas Hayden, Jr., Commodity  
3 Markets Council.

4 MR. HAYDEN: Present.

5 MS. SHAH: Scott Herndon, Field to Market.

6 MR. HERNDON: Present. Present.

7 MS. SHAH: Thomas Hogan, Cocoa Merchants  
8 Association of America.

9 MR. HOGAN: [no response]

10 MS. SHAH: Jered Hooker, American Soybean  
11 Association.

12 MR. HOOKER: Present.

13 MS. SHAH: Brian Humphreys, National Pork  
14 Producers Council.

15 MR. HUMPHREYS: Present.

16 MS. SHAH: Willis Kidd, Citadel.

17 MR. CITADEL: [no response]

18 MS. SHAH: Jeff Lloyd, Archer Daniels Midland.

19 MR. LLOYD: Present.

20 MS. SHAH: Michelle Mapes, Green Plains Inc.

21 MS. MAPES: Present.

22 MS. SHAH: Mark McHargue, American Farm Bureau

1 Federation.

2 MR. MCHARGUE: Present.

3 MS. SHAH: Aaron Morris, USDA.

4 MR. MORRIS: [no response].

5 MS. SHAH: Dr. Cynthia Nickerson, USDA.

6 DR. NICKERSON: Present.

7 MS. SHAH: Edward Prossor, The Scoular  
8 Company.

9 MR. PRAUSER: [no response]

10 MS. SHAH: Michael Ricks, Cargill.

11 MR. RICKS: Present.

12 MS. SHAH: Bella Rozenberg, ISDA

13 MS. ROZENBERG: Present.

14 MS. SHAH: Derek Sammann, CME Group.

15 MR. SAMMANN: Present.

16 MS. SHAH: Troy Sander, National Cattleman's  
17 Beef Association.

18 MR. SANDER: Present.

19 MS. SHAH: Liam Smith, Futures Industry  
20 Association, Principal Traders Group.

21 MR. SMITH: Present.

22 MS. SHAH: Liam, did you unmute?

1 MR. SMITH: Yes. Present.

2 MS. SHAH: Oh, okay. Steven Strong, American -  
3 - North American Export Grain Association.

4 MR. STRONG: [no response].

5 MS. SHAH: Curt Strubhar, Grain and Feed  
6 Association of Illinois.

7 MR. STRUBHAR: Present.

8 MS. SHAH: Justin Tupper, U.S. Cattleman's  
9 Association.

10 MR. TUPPER: [no response]

11 MS. SHAH: Wes Uhlmeier, Greenfield Holdings.

12 MR. UHLMAYER: Present.

13 MS. SHAH: Hayden Wands, American Bakers  
14 Association.

15 MR. WANDS: Present,

16 MS. SHAH: Ryan Weston, American Sugar  
17 Alliance.

18 MR. WESTON: Present.

19 MS. SHAH: Jason Wheeler, USA Rice Federation.

20 MR. WHEELER: Present.

21 MS. SHAH: Okay. And last but not least, our  
22 guess speaker, Susan Olson, Action Intel.

1 MS. OLSON: Present.

2 MS. SHAH: Thank you. I will now turn the  
3 meeting back over to Scott.

4 MR. HERNDON: All right. Our panel today will  
5 provide a discussion on the role of FCMs and access  
6 to the futures markets. We will hear from Gerry  
7 Corcoran with FIA; Curt Strubhar, Advance Trading  
8 Inc.; and Layne Carlson with Minneapolis Grain  
9 Exchange. Gerry, if you're ready, please begin.

10 MR. CORCORAN: I am and thank you.

11 Chairman Behnam, fellow members of the  
12 Commission, thank you for the invitation to  
13 participate, an important discussion about the role  
14 the futures commission merchants play in providing  
15 farmers, grain merchants and other agricultural  
16 companies with access to the futures markets.

17 As you know, my name is Gerry Corcoran. As  
18 well as representing FIA, I am the chairman and the  
19 chief executive officer of R.J. O'Brien &  
20 Associates. I've been around quite a while. I  
21 started in 1987 and as many of you know R.J.  
22 O'Brien is ag-centric as an FCM.

1 I'm proud to represent FIA in this important  
2 advisory committee. FIA's membership includes FCMS,  
3 exchanges and clearinghouses as well as commodity  
4 end user firms from the agricultural and energy  
5 space that utilize futures markets to manage and  
6 hedge risk.

7 I've served as a member of the FIA board for  
8 over 15 years. Today's farmers are not producing  
9 just for their local markets. The corn, wheat,  
10 soybeans, cotton and other commodities that they  
11 produce are exported all over the world.

12 Knowing that they can rely on well-regulated  
13 futures and options markets, gives American farmers  
14 the protection from price volatility that they need  
15 to compete in the global markets for these  
16 products.

17 Let's talk about the FCM landscape a bit  
18 today. And first a little background on FCMS.  
19 Futures commissions merchants are an important  
20 partner of the agricultural end user community.  
21 They perform several critical functions in the  
22 training and clearing lifecycle on behalf of their

1 customers.

2 First, they offer customers a central point of  
3 access to future exchanges and clearinghouses  
4 around the world.

5 Second, they maintain an array of checks and  
6 controls aimed at protecting both the markets and  
7 customers from irresponsible behavior and illegal  
8 activities.

9 Third, they're responsible for collecting  
10 margins from their clients, safeguarding these  
11 margins, then guaranteeing their clients'  
12 obligations to the marketplace.

13 Then finally, they contribute significant  
14 financial resources to the default funds maintained  
15 by clearinghouses. These default serve to absorb  
16 losses from defaults and protect the stabilities of  
17 the future markets.

18 Now, let's look at some numbers. The number of  
19 firms providing these services is in decline.  
20 However, while there are 60 FCMs registered with  
21 the CFTC today, not all of them are actually  
22 providing clearing services to customers.

1           If we narrow this down to the firms that  
2 actually hold customer funds, there are only 47  
3 FCMs as of May 2023. Now, compare this to 10 years  
4 earlier and there were 68 and 10 years before that  
5 there was 102. So you can see the rapid decline in  
6 FCMs' participation.

7           In fact, over the two years -- the last two  
8 years there's been roughly a 50 percent decline in  
9 the number of FCMs providing clearing services to  
10 customers. Now, there are many reasons for this  
11 decline in the number of FCMs.

12           There's been mergers and acquisitions, the  
13 impact of the 2008 Financial Crisis, the cost of  
14 keeping up with technology and the impact of  
15 capital requirements all that play roles in this  
16 decline.

17           In addition, as far as new FCMs, there are  
18 several barriers to enter, most notably to start an  
19 FCM business from scratch, with all the costs of  
20 connecting to exchanges and building necessary  
21 technology infrastructure is incredibly in capital  
22 intensive. In short, a successful new FCM must have

1 scale.

2 Without scale there's a lack of profitability  
3 and a lack of a return on capital that would  
4 interest an investor to form a new FCM. But with  
5 that said, I believe the existing FCM network is a  
6 strong one and it's available to all participants  
7 and allow equal access to the marketplace for  
8 farmers and ranchers.

9 There's another segment of a future's industry  
10 that goes unnoticed and unspoken about that plays a  
11 critical role in servicing small and medium farmers  
12 and ranchers in this country and that's the role of  
13 introducing broker.

14 While larger agricultural commodity firms  
15 generally direct inter- -- directly interface with  
16 an FCM, smaller and mid-size agriculture end users  
17 have tools at their disposal to also to connect to  
18 the global network from commodity exchanges.

19 Introducing brokers are a valuable and  
20 effective part of the overall market and serve a  
21 critical role in connecting small and mid-size end  
22 users with risk management tools in the futures and

1 derivatives markets.

2       They provide research and advice along with  
3 risk management control and expert market knowledge  
4 to a wide range of customers. Importantly, IB's  
5 [inaudible] customers build relationships with  
6 family-owned farms and agricultural businesses in  
7 communities all across this country.

8       FCMs have a vast network of IBs that serve  
9 this important client base. IBs must have a  
10 relationship with at least one FCM. The FCM handles  
11 trade execution, back office services for customers  
12 that the IBs bring to the FCM. The FCM also plays a  
13 pseudo-SRO role in supervising and managing IBs'  
14 compliance with regulation in the industry.

15       IBs do not hold money for other customer  
16 assets in support of their customer's orders.  
17 Instead, they forward checks, bank transfers and  
18 other forms of payment directly to the FCM.

19       All the accounts introduced by the IB are  
20 carried on the books of the clearing firm on a  
21 fully disclosed basis. Also importantly it should  
22 be noted that registration with the CFTC and NFA

1 membership is required for all IBs.

2 Another important element of the end user  
3 community is education. You know, in addition to  
4 offering customers a central point of access to  
5 futures exchanges and clearinghouses around the  
6 world in providing commodity futures market  
7 insights and strategies, FCMs also offer education  
8 about trading strategies including courses about  
9 hedging with agricultural futures to customers and  
10 perspective customers.

11 RJO for example provides commodity futures  
12 markets insights and strategies that come from  
13 years of experience, an exclusive on the ground  
14 market and cash market intelligence to both  
15 agricultural fundamentals and technical analysis.  
16 In addition, our risk experts for its work  
17 individually with customers to employ a proven  
18 process on behalf of clients.

19 For example, we work with a client to  
20 understand the risk management objectives. Second,  
21 we perform a corporate wide risk management  
22 assessment. And finally, we develop a customized

1 risk management strategy suited to a client's  
2 specific operation and objectives.

3       The FIA is also committed to providing and  
4 expanding access to education about futures and  
5 derivative markets to the general public and  
6 particularly the agricultural community. First, the  
7 FIA has an independent affiliate called the  
8 institute for financial markets.

9       The IFM is a non-partisan, non-profit  
10 educational foundation that seeks to increase  
11 public awareness and understanding of the  
12 importance of derivative markets and the financial  
13 services industry to the global economy. Equally  
14 important, the IFM seeks to improve the technical  
15 confidence of those in the industry who deal with  
16 the public.

17       So when I sum all this up, I'm looking here,  
18 there's really exciting opportunities on the  
19 horizon. Commodity markets are not going away and  
20 they're only going to get bigger. So as related to  
21 futures, options and centrally clearing derivative  
22 markets, are playing and will continue to play a

1 critical role in helping the global economy  
2 navigate the transition to a more sustainable  
3 economy.

4 As energy companies continue to innovate and  
5 expand their bio-fuel production, financial risk  
6 management and hedging tools will only become more  
7 and more important. Not just to farmers and  
8 ranchers producing the corn and soybeans and other  
9 products, also to the energy companies that turn  
10 these crops into bio-fuels.

11 These developments may lead to more  
12 participation in agricultural markets, they may  
13 entice current FCMs to enter these markets or  
14 expand their existing commitments to the  
15 agricultural markets.

16 In conclusion, FIA is committed to working  
17 with the agricultural end user community to improve  
18 access and expand educational resources to futures  
19 markets and risk management tools that can help  
20 them grow and compete in the 21st century.

21 I'm sure I've created more questions than  
22 answers in my comments today. I'm happy to address

1 Q&A at the appropriate time. And I want to thank  
2 the Committee and the Commission for allowing me to  
3 make these comments on behalf of the FIA. Thank  
4 you.

5 MR. HERNDON: Thank you, Gerry. And Curt, are  
6 you ready to begin your presentation?

7 MR. STRUBHAR: I am. Good morning, Chairman,  
8 Commissioners, Swati, thank you for the  
9 opportunity, members as well. Appreciate the  
10 opportunity to present here.

11 I'm wearing several hats today. As a member of  
12 the AAC, I represent the grain and feed association  
13 of Illinois, which is largely a collection of grain  
14 handling companies, grain warehouses, shippers,  
15 etcetera.

16 I'm on the panel today representing the  
17 National Grain and Feed Association, again a  
18 similar member base to what the Grain and Feed  
19 Association of Illinois holds. And my occupation is  
20 with Advanced Trading Incorporated and we are an  
21 introducing broker, which Gerry talked to -- a bit  
22 about there in his presentation.

1           And we share a lot of the same thoughts, the  
2 things Gerry went through and myself and the  
3 numbers of FCMs have, of course, been declining and  
4 Gerry noted that. And he further zoned in on the  
5 number of FCMs willing to take on client business.

6           I would narrow that down even a little bit  
7 further from a practical perspective of the 47, I  
8 believe was his number. A fairly small fraction of  
9 those are willing to take on introducing broker  
10 business.

11           Some of the others that will take on client  
12 business are designed around, you know, single  
13 entity, large volume trading companies whereas an  
14 introducing broker like us represent a large  
15 number, not necessarily large volume per entity,  
16 but a large number of client entities. And so our  
17 business needs an FCM willing to provide, you know,  
18 the credit department in terms of looking at new  
19 account openings, etcetera, things along those  
20 lines and that becomes a bit more onerous from the  
21 FCM perspective.

22           And we realize that. We realize there's a cost

1 of doing business and it's not a -- not a "woe is  
2 me" complaint that, you know, that a large FCM  
3 won't necessarily take on our business but it's a  
4 reality in the marketplace and the point is, we  
5 have a relatively small number of FCMs that we can  
6 take our business to and find a good willing  
7 partner to operate in that environment.

8         So it does become a concern within the IB  
9 world, we're what's known as an independent  
10 introducing broker, an IIB.

11         The other introducing broker entity is a  
12 guaranteed introducing broker, a GIB and I'm sure  
13 most all of you are aware, a GIB is tied to a  
14 single FCM, has some capital guarantees, etcetera.  
15 Compliance functions coming from that FCM.

16         An independent introducing broker, IIB, like  
17 us, is not tied to a single FCM. We have our own  
18 capital requirements, our own compliance department  
19 and point of that is, a lot of our clients desire  
20 to have multiple FCM relationships through us as an  
21 IB.

22         And that's always been the case but it was

1 accelerated 11 and 12 years ago with the failure of  
2 MF Global and PFG Best that created a lot of need  
3 from our client base to say, hey, we can't be tied  
4 anymore to a single FCM.

5       If there's a failure, you know, we need a  
6 backup and credit that the CFTC some regulations  
7 have certainly tightened up and we hope that there  
8 isn't another failure of those magnitudes but those  
9 failures had a long tail and the industry is still  
10 well aware and internal risk management practices  
11 of our client base have led to that desire to have  
12 multiple relationships.

13       So we have clients who desire, you know, in  
14 two or three FCM relationships with a relatively  
15 smaller pool of FCMs that we can do that with. So  
16 it's a concern as we look at things going forward  
17 that there are some very good FCMs out there and I  
18 don't mean to say that at all.

19       Gerry's firm, you know, is very focused on  
20 introducing broker type business and full  
21 disclosure. We do have a relationship with R.J.  
22 O'Brien as one of the FCMs that we do some business

1 with.

2       So there are good entities out there, it's  
3 just a shrinking number and that's always a concern  
4 as we look at our business longer term.

5       One of the things I wanted to note in response  
6 or potentially in response to the shrinking number  
7 of FCMs, one could consider the direct clearing  
8 model, you know, which caught a lot of attention a  
9 year ago with FTX proposing that on the financial  
10 side of the business and the CME filing at that  
11 time to allow a direct clearing model presumably in  
12 response to the FTX proposal and we know that that  
13 has not come to fruition but from our client base  
14 there's a lot of resistance to that model.

15       The FCM provides a good spring in terms of  
16 capital risk, things like that as opposed to  
17 directly clearing, particularly for the midsize to  
18 smaller entity, you know, producers, ranchers,  
19 smaller grain trading companies.

20       The FCM world again provides a good spring in  
21 terms of risk management there. And the particular  
22 direct clearing model that FTX had proposed

1 included, of course, the auto-liquidation model as  
2 means of a margin risk management process.

3       From a hedging perspective, that's very  
4 difficult to put in place from a speculative  
5 standpoint but that certainly would have some merit  
6 but from a hedging perspective if one's hedges  
7 start to get auto-liquidated because of an inter-  
8 day margin issue, then one is out of position  
9 relative to the underlying cash grain position  
10 which is not desirable at all; and to over margin  
11 an account to compensate for that has obviously a  
12 lot of capital costs, financing costs, etcetera.

13       So we're strong advocates for the FCM model as  
14 opposed to a direct clearing model in that regard.

15       So maybe the final comment I would make,  
16 understand that this is all economics for the most  
17 part as opposed to a regulatory type issue. We do  
18 regularly get approached by different entities to  
19 potentially form a new FCM.

20       You know, a client-focused, a smaller entity  
21 focused type FCM and if the economics justified  
22 that we would certainly go in that direction.

1           It would really change the capital model for  
2 us. It would likely mean a little less efficiency  
3 for the farmer-rancher-mid-size to smaller grain  
4 trading company, etcetera, but we would get there  
5 if the economics justified that.

6           So that's maybe a note of positivity to end  
7 it. Today the FCM world is still certainly serving  
8 our needs, it's just a concern going forward that  
9 those entities continue to get smaller and smaller  
10 and the competitiveness ends up declining.

11           So thank you. I too will be glad to take  
12 questions at the appropriate time.

13           MR. HERNDON: Thank you, Curt. Layne, are you  
14 ready to begin your presentation?

15           MR. CARLSON: Yes, I am. Thank you, Mr.  
16 Chairman, fellow commissioners, and this committee  
17 for the opportunity to provide a few brief  
18 comments.

19           My name's Layne Carlson and I am representing  
20 the Minneapolis Grain Exchange. Our primary ag  
21 contract is Hard Red spring wheat futures and  
22 options.

1           Access to a contract market to hedge all forms  
2 of farm and ranch production is essential. It  
3 should also be fundamental. As a contract market  
4 MGEX needs customers trading our futures and  
5 options products.

6           We want to fulfill our mission to provide a  
7 service and allow for price discovery and risk  
8 mitigation. MGEX has heard the frustrations in the  
9 real community about the consolidation going on in  
10 the FCM and IB communities, which reduces market  
11 access alternatives.

12          FCMs do not have to be a clearing member at  
13 MGEX to have access to our markets. Being a  
14 clearing member means connectivity to our  
15 clearinghouse and all the obligations and  
16 responsibilities that go along with it.

17          There are a number of FCMs and IBs  
18 accommodating farmer producers, merchandisers and  
19 end users currently trading at the MGEX wheat  
20 futures markets that have an account relationship  
21 with a clearing member.

22          MGEX rules and financial requirements for

1 active FCMs on our market are not any more  
2 burdensome than what all FCMs need to comply with  
3 now under CFTC and industry financial and reporting  
4 requirements. MGEX does not want to create  
5 unnecessary access barriers to FCMs or market  
6 participants.

7         The decline in the number of FCMs over the  
8 last decade has been very unfortunate in part due  
9 to Dodd-Frank; however, from the MGEX perspective  
10 we promote market access and support competition  
11 and ease of entry for FCMs and their customers.

12         Having multiple FCMs to choose from, there are  
13 close to a customer's home base may be ideal for  
14 farmers and customers but that's -- is not  
15 currently the case.

16         However, from what MGEX has observed, there  
17 are FCMs well qualified to represent a farmer's  
18 interest regardless of location. Also, it's  
19 important to recognize that there are many elements  
20 contributing to access to markets from the CTAs,  
21 the IBs, brokers and FCMs.

22         The network as a whole appears to be working

1 but we shouldn't be taking it for granted. There  
2 are areas where access points are less than ideal  
3 and the various commodity interests as well as the  
4 regulatory world should look at more ways to  
5 improve market access. In short, MGEX supports  
6 equal and fair access for all who need and want to  
7 be able to hedge and trade.

8         Again, I thank the -- everyone for their time  
9 and for this opportunity. I can answer questions as  
10 well. Thank you.

11         MR. HERNDON: Thank you, Gerry, Curt and Layne  
12 for your informative presentations and remarks. We  
13 will now open the floor to questions and comments  
14 from the members of the committee regarding the  
15 presentation. For members in virtual attendance, as  
16 a reminder, please use your raise hand feature to  
17 ask a question or use the chat.

18         Do we have any questions or comments from  
19 members participating by phone? Okay. Thank you to  
20 the committee members for those questions and  
21 comments. Do we have any questions or comments from  
22 any of the commissioners or any comments from

1 panelists in here in the room? Mr. Sammann.

2 MR. SAMMANN: Thank you. So Derek Sammann from  
3 CME Group. I want to start by thanking Gerry and  
4 Curt for their comments on the -- representing the  
5 needs and the interests of the end user community.

6 You know, small farmers and ranchers form the  
7 core back bound of our global commodities  
8 franchise. Without that open interest that they  
9 bring, they are the ones with the original risk  
10 literally in the ground.

11 They come every day to our markets and need to  
12 be able to access these markets, so we are in full  
13 support of what we heard from Layne as well in  
14 terms of creating fair and equitable access to all  
15 of these critical derivatives markets that serve,  
16 not just domestic purposes but set the prices for  
17 grain and oil seeds and other products globally.

18 We've spent a lot of time talking about the  
19 access portion of this. There's a piece in front of  
20 that which I know a lot of us are equally concerned  
21 about and that's education and that's getting down  
22 to the grassroots levels in the ways that we can

1 all serve our global and our rural communities with  
2 the access to educational resources, understanding  
3 the power of derivatives markets to help them  
4 manage the very risks Commissioner Mersinger that  
5 you were talking about your dad refers to, that's  
6 really buffeting small farmers and ranchers  
7 globally.

8 As an exchange, we rely heavily and fully on  
9 our FCM community and IBs and all of the CTAs of  
10 this world to create access to those communities of  
11 folks. That said, we're constantly looking for ways  
12 that we can extend the access and understanding  
13 knowledge and access to our markets.

14 So we spend a lot of time at grassroots  
15 levels, I actually mentioned some of this at my  
16 house ag committee testimony in March about the  
17 ways in which we support state farms, 4H clubs with  
18 scholarships.

19 We'll be down at the Illinois State Fair later  
20 this summer to participate in the auction of the  
21 championship animals. We provide scholarships and  
22 educational resources for on the ground groups to

1 understand in trading communities and games that we  
2 set up to get people to understand what these  
3 products are, what these tools are, why they  
4 matter.

5         We've spent -- we got a really strong  
6 relationship with the National Association of Farm  
7 Broadcasters. That's important to get our message  
8 out there so what risk management is and why it  
9 matters to everyone on the ground.

10         So we just -- we don't want to lose sight of  
11 the fact that we all have an opportunity and a  
12 responsibility to make sure that we're extending  
13 educational resources and that we are extending  
14 access in line with why does that access matter.

15         So we're in full support of that. We have many  
16 ways in which we're supporting the growth and the  
17 educational efforts at grassroots level and  
18 certainly are keenly -- want to be part of the  
19 solution for extending access to all of those  
20 participants that have this risk.

21         We need to be equally focused on that part of  
22 the spectrum of our community as well as the global

1 participation from buy side, hedge funds, assets  
2 managers, banks, and everybody else that's in our  
3 markets as well.

4 Without small farmers and ranchers with the  
5 original risk in the ground, our markets are  
6 missing a key component ecosystem.

7 So full support of what Gerry and Curt talked  
8 about and the comments made by Layne as well.

9 MR. HERNDON: Buddy.

10 MR. ALLEN: Thank you, just a comment. I agree  
11 with everything that was said. I appreciate the --  
12 this topic being put in front of the group.

13 The American Cotton Shippers Association, we  
14 represent the big ABCD agri-businesses all the way  
15 down to the country cotton gin that buys fiber from  
16 farmers and sells it to a local mill. And we see a  
17 varying utility and access to FCM services that's  
18 critically important to all market participants.

19 You see a very different model from a large  
20 self-clearing commercial to that mid-size  
21 commercial that might not have the capital to  
22 perform those services internally and may be the

1 only market point access to a local producer.

2       You know, as far as deliverable supply or  
3 access to move a commodity and make that liquid and  
4 create cash flow in a timely fashion would dictate  
5 who your counterparty is. And then down to the  
6 retail producer or end user on a small scale which  
7 Swati and I discussed by email.

8       So I would just flag that different --  
9 different thresholds of participant have different  
10 access and its critically important across that  
11 profile. We see our farmers rely on merchandisers  
12 to perform these risk management services on their  
13 behalf more. We think the hedging is done on the  
14 farmer less now than it was decades ago and we see  
15 that trend continuing based on education and some  
16 of the reasons it has been discussed, so I just  
17 think it's important to think about this through  
18 the lens of geography and who your market  
19 participants are and where they may be in this  
20 scale profile that was also illuminated as being  
21 very important.

22       So thank you for putting this topic on the

1 table.

2 MR. HERNDON: All right. So do we have any  
3 questions or comments from any of the  
4 commissioners. Oh, sorry. Mr. Gallagher.

5 MR. GALLAGHER: Ed Gallager with -- Ed  
6 Gallagher with the National Milk Producers  
7 Federation, also I work for Dairy Farmers of  
8 America, the largest milk business in the United  
9 States.

10 And for the dairy producers there's a --  
11 because of a great combination of programs from  
12 USDA through the Dairy Margin Coverage Program and  
13 through their crop insurance programs that are  
14 available for milk, there is easy access and lots  
15 of coverage for smaller dairy farmers.

16 For the larger dairies, which -- so the 20  
17 percent of the farms that produce 80 percent of the  
18 milk and that 80 percent is more milk than is  
19 produced in most countries around the world, they  
20 have fairly decent access to introducing brokers  
21 but it's a shrinking pool.

22 We run an aggregation program for our farmer

1 owners so we do risk management for them through  
2 forward contracts. And so we're aggregating all  
3 kinds of sizes of dairies to bring to the markets  
4 and what we've seen is as this consolidation has  
5 occurred, there are fewer entities, fewer FCMs that  
6 are interested in handling our business.

7 We're the largest dairy business in the United  
8 States, the fourth largest in the world. And, so,  
9 there is a growing concern about how these  
10 businesses consolidate and as they get larger their  
11 view on working in the agricultural commodity  
12 space.

13 So I appreciate this topic and I appreciate  
14 everybody's comments on this. And I would agree  
15 with everyone and Derek you did hit it right on the  
16 head with education.

17 What we see is the biggest challenge across  
18 our farmer owners is consistency of use of the  
19 products and so that's an educational challenge  
20 that we are involved in in every single day working  
21 with our farmer owners to help them understand the  
22 importance to their family's financial wellbeing to

1 be consistently using risk management products.

2 Thank you.

3 MR. HERNDON: Patrick I see you have your hand  
4 raised virtually, do you want to comment?

5 MR. COYLE: Sure. Good morning. Can you hear  
6 me okay?

7 MR. HERNDON: Can hear you well.

8 MR. COYLE: Great. Thank you. Patrick Coyle  
9 here representing the National Grain and Feed.  
10 Appreciate you hosting this meeting. I apologize  
11 not -- for not being able to attend in person  
12 today. I also wanted to, you know, agree with a lot  
13 of the comments that have been made already.

14 From the NGFA's perspective, it's a topic  
15 that's been brought up on some of our committees  
16 that it hasn't reached in critical levels. There's  
17 enough access but certainly the trend of FCMS and  
18 the number of FCMS that are available has been  
19 getting noticed and the concern is that if that  
20 trend were to continue, would we reach, you know,  
21 levels that are a point -- would be a bit more  
22 critical in terms of access for enough participants

1 that most -- virtually all of our participants do  
2 preface in hedging -- hedging their risks. And, so,  
3 access to FCMs and markets is certainly very  
4 important.

5 MR. HERNDON: Great. Thank you. Now, probably  
6 -- any other comments before I turn it over to the  
7 commissioners? Mr. Mc- -- McHargue.

8 MR. MCHARGUE: Yeah, appreciate it. Mark  
9 McHargue from American Farm Bureau. I'm a four  
10 generation farmer there in Nebraska. I have corn,  
11 soybeans, hogs, popcorn.

12 And it seems like in the discussions that I  
13 have both in Nebraska level and at the American  
14 Farm Bureau level that represents all ag producers  
15 across the country, regardless of the commodity, it  
16 does seem to focus around -- and we have the farm  
17 bill, we have all of our crop insurance, products,  
18 and it's really merging those types of products  
19 together with some sort of hedging options to get  
20 full coverage.

21 And I think absolutely the education part of  
22 that seems difficult as there's -- there's moving -

1 - moving targets and how to kind of offset that  
2 risk with a number of different products I think is  
3 important. So educating through that.

4 Another trend that I've seen in the market is  
5 as an individual person it seems like we in  
6 agriculture are partnering up more often with other  
7 producers or whether it be a co-op, whether it be  
8 another group to actually help with the marketing  
9 side of the equation. It just seems like as our  
10 operations get larger for us to be experts and  
11 everything is becoming more difficult. And, so,  
12 engaging partners that help us actually place those  
13 trades and do those trades I think is a -- is a  
14 growing trend.

15 I know it's been mentioned that, you know,  
16 it's so important off of the farm over that --  
17 agriculture as farmers and ranchers we do the  
18 protection and it's really figuring out -- it seems  
19 like more often, who do we partner up with to help  
20 us with protecting our crops that are actually in  
21 the ground and [inaudible].

22 MR. HERNDON: All right. Thank you.

1 Commissioners.

2 MS. GOLDSMITH ROMERO: Thank you. That was  
3 just excellent presentations and I'm glad to be  
4 talking about this. Maybe this question is for  
5 Gerry. On the trend of the declining FCMs, is there  
6 anything you see that will stop that trend or  
7 reverse that trend or instead are you seeing that  
8 that trend is likely to continue?

9 MR. CORCORAN: Thank you, Commissioner. I --  
10 you know, I think the trend is stable right now. I  
11 don't see market participants exiting the FCM space  
12 but the -- as I alluded to in my comments, the  
13 barrier to entry is very high.

14 You know, we talk about technology a lot but  
15 the cost of compliance is very high as well. You  
16 know, since the great financial crisis there's been  
17 a series of improvements, I would say, in the  
18 safety of customer assets but they're also costs  
19 associated with those improvements.

20 So you know, to start a FCM from scratch is --  
21 with any scale that really is going to, you know,  
22 mitigate some of the concerns we have here is not

1 likely. What's more likely is an existing FCM, you  
2 know, kind of embracing agriculture as well.

3 But, you know, we are America and it's an  
4 competitive environment and what we have is a, you  
5 know, very competitive marketplace. In an agri  
6 concern CFO -- does everybody have this echo that I  
7 have?

8 MR. HERNDON: We hear you, Gerry, loud and  
9 clear, no echo. So it's just you.

10 MR. CORCORAN: Okay. Great.

11 MR. HERNDON: And it's --

12 MR. CORCORAN: [inaudible] mute so the echo  
13 disappears but it's a highly competitive market. So  
14 commission rates gets driven down to a level that  
15 return on capital becomes unattractive for certain  
16 FCMs.

17 And that's just part of our country and  
18 capitalism. And, so, you know, with modest returns  
19 on capital, it's also not enticing for a current  
20 FCM to move into the space. So I think we have --  
21 you know, there's plenty of access for farmers and  
22 ranchers that we have today.

1           I think if we have more FCMS exit the space,  
2 it could be a problem but I think it's steady at  
3 this point, Commissioner. I don't see it declining  
4 but I also don't see a rush of new FCMS coming into  
5 the space either.

6           MS. GOLDSMITH ROMERO: Thank you. That was  
7 very helpful.

8           MR. BEHNAM: So Gerry, I'm just going to  
9 follow up because -- and I -- my question is  
10 similar to Commissioner Goldsmith Romero's in some  
11 respects but Curt, you mentioned the economics. I  
12 get that and then Gerry at the beginning of your  
13 statement, what you just reiterated, we don't see  
14 necessarily a continued decline in the number of  
15 FCMS. It's stable.

16           I sort of pointed this out in my opening  
17 statement and, you know, knowing those figures you  
18 cited where we were a hundred twenty some odd  
19 registered FCMS two decades ago and now we're in  
20 the 50s or so. What I didn't realize was that the  
21 second layer number you said, the 47 in terms of  
22 those willing to take on client money and then Curt

1 your point about those willing to take on IBs.

2       So Curt, I do want to ask you this and this  
3 sort of dovetails with what Gerry just said,  
4 something that I recall from a decade ago hearing  
5 and then even essentially only until a few years  
6 ago if not last year, the interest rate  
7 environment. That has a huge impact on, you know,  
8 the FCM economic model and whether or not it's  
9 viable and you would need massive scale to retain  
10 that business in a low interest rate environment.

11       And we've certainly been in a low interest  
12 environment for well over a decade, again upon  
13 until about a year or so ago. How has -- and I'm  
14 not suggesting or now at least concluding that  
15 we're going to see a bump necessarily of FCMs but  
16 Curt you did mention you do sometimes have  
17 conversations about starting an entity.

18       Have the economics changed at all such that  
19 you think the conversation shifts or is it still  
20 there's too many dynamics, whether, you know, Gerry  
21 pointed out a lot of, look, costs have gone up  
22 whether it's on the technology side. Obviously, the

1 economies of scale of starting a business in a  
2 competitive environment are hugely significant.

3         Commissioner Pham mentioned capital  
4 requirements and some of the shifting methodologies  
5 of how we calculate capital and then just the  
6 regulatory requirements that we've seen come up  
7 since 2008. What's the dynamic now and has it  
8 changed that you would even think twice about it or  
9 think differently than you did a year or two ago?

10         MR. STRUBHAR: Thank you. Great question in  
11 those regards and the interest rate return to an  
12 FCM is certainly -- historically been a key part of  
13 the business model there.

14         If there's an upside to the low interest rate  
15 environment that we came through, I think some of  
16 the surviving, the long term FCMs were able in that  
17 environment to look at some other profit margin  
18 type opportunities, find some ways to get lean on  
19 some factors, to take a little margin in other  
20 places.

21         And now that the interest rates have crept  
22 back up, it's made them more efficient and stronger

1 in that sense. You know, they had to change, had to  
2 adjust with the times or had to exit the business  
3 which a lot of them did but the surviving ones and  
4 survive is a strong word but the surviving ones, a-  
5 -- again, had done enough things to make some  
6 changes that now I think their balance sheets and  
7 their operating margins are much better than --  
8 than what they had been five, six, seven years ago.  
9 So that's a positive from that regard.

10 To get to your core question, I don't know  
11 that it'd necessarily shifts us towards looking  
12 that direction. You know, we'd still, all things  
13 equal, rather have our model be that we aren't the  
14 capital intensive market participant, that that  
15 still falls to the FCMs.

16 And, so, the optimistic side is, if those  
17 existing FCMs willing to take on client and IB  
18 business are now in a strong position and desire to  
19 remain in the business, we'd still like to go that  
20 direction.

21 The flip side to having higher interest rates,  
22 making an FCM more operable is that our capital

1 costs, if we were to go down that road, have also  
2 gone up. And that's not necessarily a one for one  
3 perspective but the access and cost of capital  
4 would certainly be a lot more than it would have  
5 been three and four years ago.

6 So I wouldn't say we're moving in that  
7 direction anymore because of the interest rate  
8 environment but that is a -- certainly a key to FCM  
9 profitability.

10 MR. BEHNAM: Thanks, Curt. So the second  
11 question I think is about the education. Derek, you  
12 mentioned this in role CME plays obviously critical  
13 and appreciated, I think for -- as as a -- from an  
14 industry standpoint. But I -- I do think having  
15 heard Gerry speak and then Curt and then even Derek  
16 and some of the comments, I think it's important  
17 that we pinpoint where the education needs to  
18 occur. Right.

19 Because I think it's easy to think about, you  
20 know, the farm bill was mentioned. Right. You have  
21 commodity programs, you have crop insurance and a  
22 number of other tools that are available to

1 producers, how do we maintain the CFTC and futures  
2 market as one of those tools in the -- in the  
3 toolbox.

4       And I -- we can certainly educate the  
5 producers and make them comfortable to the extent  
6 they can be comfortable with the idea of  
7 participating in futures markets and the risks  
8 associated with that but still the risk management  
9 opportunities but I do think that -- and this is an  
10 area where I think the CFTC can be helpful, is what  
11 role do we have to play or what education needs to  
12 happen at the IB level and at the FCM level,  
13 particularly for those FCMs and IBs that don't  
14 provide those services to the ag constituency.  
15 Right.

16       We can -- I think there are decent efforts. We  
17 can always get better and rely on the exchanges and  
18 the infrastructure to educate the -- the end  
19 client, but how do we get the infrastructure, the  
20 intermediaries -- and I love this idea of getting  
21 IBs more hooked into FCMs but how do we create, not  
22 necessarily -- I want to use this word carefully --

1 incentives for them to even think about this  
2 business and to participate in this business and  
3 hook into FCMs such that they can provide more  
4 access to growers.

5 Because to Gerry's point, Curt to yours as  
6 well, this 50 number is probably not going to  
7 change. It might fluctuate over the course of the  
8 years but it's going to ebb and flow at best.

9 We're not going to see, you know, probably a -  
10 - having like we have in the past few decades but I  
11 think I'm a little bit encouraged by this  
12 conversation because I didn't necessarily dig a few  
13 layers deep into what I -- the role IBs play,  
14 whether guaranteed or independent and then what we  
15 can do collectively to educate the IB community to  
16 provide those services to the -- to the producer  
17 community.

18 So if there are any thoughts, would certainly  
19 welcome them but I do think this is an area that we  
20 can certainly play through our education arm and  
21 just quite frankly speeches and discussions that  
22 the commission has and meetings that we have with

1 that community so that hopefully there continues to  
2 be at a minimum stable access but if not increasing  
3 and growing access for producers.

4 MR. HERNDON: Gerry, go ahead. Is -- is your  
5 hand raised still?

6 MR. CORCORAN: Are you guys good for me to go?

7 MR. HERNDON: Yeah, go ahead.

8 MR. CORCORAN: Okay. Great, thanks. Great ---  
9 great comments by everybody.

10 As far as education goes, one point should be  
11 made, Chair, is that there's an entity called  
12 Futures Fundamentals, it's a collective industry-  
13 wide effort to develop and promote free education  
14 and it's supported by the CME group, ICE, the  
15 National Futures Association, NFIA, so we have a  
16 nice platform that we could promote collectively as  
17 an industry into introducing broker network.

18 Now, one thing that should be noted as far as  
19 introducing brokers go, the number of introducing  
20 brokers have declined significantly as well over  
21 the last 15 years but I think the IBs that are left  
22 today and that service the agri communities are top

1 notch folks, I mean really know their business and  
2 they cover a wide geographical part of our country,  
3 particularly someone like Curt's company very, very  
4 well thought of. They educate their customers,  
5 they're -- they're top notch so there's -- there's  
6 -- there's many of them like that.

7         So I agree with you, education's a key point,  
8 we do have a platform, an industry-wide collective  
9 platform. We'd love for the CFTC to look into with  
10 us and help us move it out into the -- into the  
11 community to improve education.

12         Now, I wanted to also say one other thing  
13 about interest income and the effect FCMs. I -- I,  
14 you know, it has improved the financial profile of  
15 FCMs but we live in a way different world than the  
16 last time there was an interest income in this  
17 space which was, you know, well over 10 years ago.  
18 And that is the customers are well more versed in  
19 putting their money to work, so maybe 10, 15 years  
20 ago FCMs would have a bit of a nest egg from  
21 interest income.

22         It's not quite the same anymore. Everyone

1 wants to buy a T-bill, everyone wants credit --  
2 interest credit to their accounts, so, it may not  
3 be, you know, the pot of gold at the end of the  
4 rainbow that so many people think about it and I  
5 think my FCM executives in this space would  
6 probably echo the same -- the same comments related  
7 to the interest income. I'll stop there.

8 MR. HERNDON: Thanks, Gerry.

9 MS. MERSINGER: I have just a quick question  
10 and this is just kind of related to the educational  
11 piece but I think it's also kind of an access point  
12 as well. You know, and I'm not sure who wants to  
13 answer this, but has there been any partnerships  
14 with maybe community banks or that level of  
15 interaction?

16 I just know from my own experience that's  
17 where a lot of small farmers and ranchers really go  
18 for their financial education. You know, they trust  
19 their community banker. It might be their neighbor,  
20 it might be a fellow farmer.

21 And I've always wondered, especially, you  
22 know, given, some of the risks that comes with

1 these operating loans, you know, has there been any  
2 attempts to, you know, get to the farmers and  
3 ranchers at that level of the community bank and  
4 help them understand the hedging opportunity here  
5 and how they can help mitigate some of the risk  
6 that comes with farming in general.

7 MR. STRUBHAR: Sure, thank you for the -- for  
8 the question and it follows up well with the  
9 previous question as well education related.

10 So directly, Commissioner Mersinger, we do  
11 some meetings on a regular basis with community  
12 banks or crop insurance type companies, entities  
13 like that who are interested in just having an  
14 outside speaker to speak with their producers about  
15 education, about hedging, about market  
16 fundamentals, things like that.

17 And we're -- we're very willing to do that  
18 kind of thing and encourage our sales staff to get  
19 involved in that type of thing.

20 A couple of other comments I was going to tag  
21 on re- -- regulated to education. I'll commend the  
22 Commission for the meeting you had a couple years

1 ago in conjunction with Kansas State University.  
2 That was really well attended, spoken highly of.  
3 It's -- it's something I hope that we can resume.

4 I think at the December of this council, there  
5 was some discussion of resuming that program and  
6 that to us is a -- is a great way to start the  
7 education kind of from your level down even if it  
8 wasn't so much direct market participants in that,  
9 although I know there were plenty of them, plenty  
10 of end users and trading companies, etcetera but  
11 also representatives who do business with those  
12 entities, in- -- including the producer level.

13 So that was a strong educational opportunity.  
14 The National Grain and Feed and the State Grain and  
15 Feed Associations do a good job as well of having  
16 presenters from the futures industry in front of  
17 their membership basis.

18 The NGFA's country elevator council often has  
19 a company like ours or a company like Mr.  
20 Wheeler's, you know, speaking in front of them  
21 about the various futures education models, futures  
22 tools, things like that are available.

1           So we're -- we're very much in favor. Very  
2 much support the educational opportunities that  
3 you're speaking about. So thank you.

4           MR. HERNDON: Mr. Sammanns [sic].

5           MR. SAMMANN: Yeah, maybe just jumping on a  
6 couple points and Gerry beat me to it talking about  
7 futures' fundamentals. It's -- this is a coalition  
8 that was brought together, not just by one part of  
9 this ecosystem but it was -- it's CIA -- or CME,  
10 excuse me, FIA, NFA, IFM and then our charitable  
11 arm, CME Foundation. This was explicitly put  
12 together to be able to understand the needs and the  
13 gaps in understanding for derivatives market  
14 overall.

15           To be clear, this is not just ag's focused,  
16 this was all derivatives markets so this is a  
17 broad-based education but is as a platform within  
18 which we got lots and lots of component pieces to  
19 understand exactly how markets work, how to use  
20 them. It's literally the fundamentals of  
21 derivatives markets. That's really important.

22           I think that when we think about education,

1 there's two parts of it: There's the content and  
2 the distribution. You know, we -- each of us has a  
3 maybe slightly different role to play.

4 On the exchange side we -- we don't directly  
5 touch end users, we work through a wholesale  
6 distribution network, whether it's our FCM  
7 community, our IBs, we have a global sales team  
8 that's arrayed by client segment. We have a global  
9 of our -- global sales team that is specifically  
10 and only tasked with working with our distribution  
11 partners: Our clearing firms, bank and non-bank  
12 FCMs, our IBs.

13 In fact, we're going to have two of our ag  
14 leads out at Gerry's IB conference a little bit  
15 later this summer specifically talking about ags.  
16 So there are ways that, between content and  
17 distribution, those things have to come together.

18 Some of us are more on the content side but we  
19 need distribution and access and some folks, you  
20 know, are looking for the content because they have  
21 distribution and access. So you know, each of us  
22 needs to find who can broker what portions of

1 those, where the gaps are, and they can all  
2 participate in that.

3       So from our perspective, we think that is a  
4 gap and a role we have to play, we're serving that,  
5 we'd love to hear the Commission's thoughts about  
6 where between content and distribution you can  
7 help, kind of ex- -- ex- -- extend the influence  
8 access and raise the level of importance of these  
9 conversations.

10       MR. HERNDON: Great, thank you. Gerry,  
11 probably a closing comment to keep on schedule.

12       MR. CORCORAN: Well, I don't have any prepared  
13 closing comments. I just think this has been a  
14 wonderful dialogue amongst the industry  
15 participants. And, you know, when we have these  
16 moments where we come together and speak, you know,  
17 in the fashion we have today, it all feels good.

18       We have to follow-up on it, though, you know,  
19 a lot of times you'll lose momentum after a meeting  
20 like this and I'd encourage the Commission, the  
21 staff to try to be -- to try to set the leadership  
22 for us on this education matter and bring us all

1 together to help the community.

2       If we really want to get deep into, you know,  
3 the mid -- mid-level and smaller size farmers and  
4 ranchers, it's through the introducing broker  
5 network.

6       They're the best suited to serve the community  
7 and the farmers out in the country. They're out  
8 there, they live in the communities, we service  
9 these folks and to the Commissioner's point, they  
10 work with the community banks.

11       And I think it's an excellent point that we  
12 could extend the arm of education to the community  
13 banks, they could probably lean on it. Many  
14 community banks already lean on the risk management  
15 systems of the FCMs.

16       We allow them complete access to their  
17 customers' trading styles and the pro formas and  
18 force they have in the marketplace. But let's try  
19 to keep the momentum that we've -- we're building  
20 and I applaud the Chair and the Commission for  
21 bringing this meeting together. Thank you.

22       MR. HERNDON: Thanks. Well, thank you all for

1 the robust discussion and excellent questions and  
2 with that we'll turn to our second presentation of  
3 today. Susan Olson with Action Intel. Susan, please  
4 take it away.

5 MS. OLSON: Thanks. Thanks. Good morning  
6 everyone and I wanted to say, thank you to Chairman  
7 Behnam, to Commissioner Goldsmith Romero,  
8 Commissioner Mersinger, Commissioner Pham, Scott  
9 and Swati and Wes and the rest of the committee for  
10 the opportunity to engage today.

11 As you all talked about in actual depth in  
12 your comments this morning, I'm going to talk about  
13 the recent disruptions to the lower Mississippi  
14 River as it relates to grain flows and markets.

15 And I'm going to do that through the lens of  
16 data, to try to bring, you know, some tangible  
17 perspective to the recent events that have  
18 happened, but I also want to do this in an effort  
19 to, kind of like, open eyes and minds of generally  
20 like what's possible, you know, through data and  
21 future endeavors.

22 So -- so, yeah, I -- just a quick introduction

1 to myself. I'm an engineer by trade. I got my Ph.D.  
2 in aerospace and mechanical engineering at Notre  
3 Dame. I did work in research using a lot of sensing  
4 and data with NASA and the Office of Naval Research  
5 and then moved to the commercial sector working  
6 with Honeywell on the joint strike fighter.

7       So I spent the bulk of my career though as I  
8 moved more into back in the research field with  
9 sensors doing work with a company called Genscape  
10 for about 13 years, which was developing new  
11 transparency for markets using marketing  
12 intelligence and measured data to help people  
13 understand fundamentally what's happening.

14       So I built a business from the ground up in  
15 agricultural and bio-fuels at Genscape so I did a  
16 lot of work sensing things like ethanol storage,  
17 soybean processing and transportation in the grains  
18 market.

19       I spent a little time after that as a chief  
20 operating officer of a data science company where I  
21 ran a data science team doing a lot of work with  
22 machine learning and analytics and so that's kind

1 of true to the thread of my career.

2 And then recently was the chief operating  
3 officer of Demeter Logistics where we introduced  
4 digital trading platform for a cash -- cash grain  
5 markets.

6 And I started my own company with my colleague  
7 and cofounder Brittany Botts in March getting back  
8 to more pure market intelligence with Action Intel.  
9 So -- so, that's a little bit about me, just to  
10 give my background so you understand like who's  
11 talking today with you about market. So next slide,  
12 please.

13 So I think, you know, in some of the past  
14 committee meetings you have talked and heard from  
15 people about, you know, the disruptions that have  
16 happened to the grain markets, specifically over  
17 the last decade.

18 Some of the ones that come to mind are the  
19 great flood of 2019, Hurricane Ida's landfall in  
20 2021 and the extreme low water conditions I think  
21 that are all too familiar from the last quarters of  
22 2022.

1           So today's presentation really highlights the  
2 impact of those disruptive events but doing it from  
3 a perspective of logistics and how those logistics  
4 impact markets. And, so, I'll be talking about the  
5 grain tows journey down to New Orleans on the  
6 Mississippi River.

7           So I want to just give some context because I  
8 -- there is such a wide and broad and wonderful  
9 array of people here from different markets and  
10 perspectives. And I want to talk about the  
11 importance of Mississippi River barge freight and  
12 it's different how it's impacting, you know, not  
13 just specifically that leg of the market but how it  
14 affects cash markets, how it affects futures  
15 markets.

16           Barge freight is a core part of the discovery  
17 of what's called the CIF NOLA basis and that's the  
18 most liquid cash forward grain market in the U.S.  
19 The freight delivery costs to its destination which  
20 is almost always New Orleans, is a dominant part of  
21 the equation for the delivery value equivalent  
22 calculation for a futures positions. And, so,

1 that's what's presented here in this slide.

2       So you see, you know, the costs of those are  
3 heavily dependent on barge freight. And as such,  
4 barge freight impacts the convergence of futures'  
5 contracts. And so, today I want to talk about how  
6 using data can help recognize both logistic snarls  
7 but also recoveries that impact barge freight and  
8 most of the markets that are attached to it.

9       So I'll be talking about -- everybody I'm sure  
10 has been to Vicksburg, Mississippi, right, like so  
11 I'll be talking a lot today about Vicksburg,  
12 Mississippi. It does have a fantastic port area and  
13 also is a home I think to launch point for a lot of  
14 these river cruises that happen up and down the  
15 Mississippi River. So it's a very important point  
16 in transit for Mississippi River traffic.

17       So Vicksburg is situated, you know, kind of  
18 between where major tows of grain are built to be  
19 transited down the Mississippi River to New Orleans  
20 and New Orleans itself. So kind of chosen this as a  
21 way point to talk about these metrics. Mainline tow  
22 boats, barges down the lower Mississippi River to

1 New Orleans and about half of the U.S. exports and  
2 a lot of times more in grains and oil seeds go out  
3 of New Orleans.

4         And 90 percent and sometimes more of the grain  
5 that's fed to these export facilities comes from  
6 barge. So river again, as you pointed out in your  
7 comments is a critical artery, you know, to the  
8 delivery of grains to export and the overall  
9 economics of grain in -- you know, from the United  
10 States grain.

11         So these tows are built, meaning that barges  
12 are attached to the tow in either usually St. Louis  
13 or Cairo areas. So above St. Louis, there are locks  
14 and dams on the Mississippi River and its  
15 tributaries. On the Ohio River there are also locks  
16 and dams. Once you get south of St. Louis, there  
17 aren't locks and dams. So you can transit much  
18 larder [sic] -- larger tows of barges.

19         And, so, that's why they're built there. So  
20 they're built and then by the time they pass  
21 through Vicksburg, they're usually mostly composed.  
22 There is some grain that is produced south of there

1 but largely that's a point where they're mostly  
2 composed.

3       And then as these tow boats, once they  
4 delivered their grain are going back up with empty  
5 barges and back hauling carries of other  
6 commodities. You know, that's another way point to  
7 look at how that's happened, so. Just kind of  
8 wanted to give a geographical picture of what we're  
9 talking about today.

10       So using a lot of data sources today to derive  
11 these metrics. And, so, the data sources come from,  
12 you know, AIS data which is the transponder systems  
13 that are actually on the towboats, not the barges  
14 themselves but the tows. USDA data, so there's a  
15 lot of wonderful data produced by -- by the USDA  
16 including regular reporting of barge freight and  
17 barge unloads.

18       Also, geospatial data, so a lot of this to  
19 bring context to data you have to understand like  
20 where things are actually happening on the river,  
21 so things like satellite imagery, other geospatial  
22 data, looking at the river level itself, which has

1 a massive impact on the ability to transit the  
2 river.

3       There's also an interesting data source I  
4 wanted to point that's produced by the American  
5 Commercial Barge Line Association called ACBL  
6 Currents, which is a pretty robust log of events of  
7 things that have happened along the river that have  
8 caused, you know, transit delays and those sorts of  
9 things, so it's kind of an effort that company  
10 makes to provide some transparency into those  
11 things.

12       There's the raw data and then there's  
13 meaningful data. And, so, to get there one of the  
14 steps that you have to do is to prepare the data.  
15 So there's a lot of extensive cleaning and  
16 filtering, a lot of quality assurance that needs to  
17 happen to make sure that when you have analytics  
18 processes that are running things through these  
19 systems that they make sense from the endpoint  
20 perspective.

21       Doing things like what is a mainline tow boat.  
22 So a mainline tow boat has to have a certain amount

1 of horsepower, right, to push the grain barges down  
2 the Mississippi River, which is different than the  
3 Kirby towboats that push tank barges up and down  
4 the river. So you have to be able to figure those  
5 things out.

6       And then just daily, weekly aggregation, doing  
7 benchmarking so that you understand like not just  
8 some- -- what some thing's absolutely level is, but  
9 how is that different from what is normal, right,  
10 or what's over a 10 year average. I will say that  
11 even with QA data is never perfect. And like us  
12 all, it gets better with age. So, you know, I just  
13 want to mention that there are things, you know, as  
14 time progresses, more things you can incorporate to  
15 make signals better.

16       I wanted to, you know, talk about  
17 specifically, you know, that's the data cleaning  
18 process. There's some metrics that I'm going to  
19 focus on today that I want to just introduce you  
20 all to. So these, I think will be somewhat new.

21       I don't think that these are things that are  
22 normally commercial present in markets today. It's

1 something that we're working on to try to bring  
2 some additional transparency into markets. But, you  
3 know, a couple of those things is like what  
4 direction is the tow going and what is the turn  
5 time.

6       So for instance, if a tow is going through  
7 Vicksburg southbound to New Orleans, it's going to  
8 turn around and come back up the river. And, so,  
9 how long does it take for that tow to take its  
10 southbound journey and to come back? Accumulating  
11 those metrics over time.

12       The other thing is the tow count. So just  
13 simply looking at, if you pick a geographical  
14 region like Vicksburg, how many tows are going  
15 upstream and downstream through Vicksburg? So as a  
16 total and both as an upstream and downstream count.  
17 And you can look at those things over different  
18 periods. You can look at it over a day or a week.  
19 And then seasonal averages, which I talked about.

20       Some of the other data you'll see is river  
21 gage data, that's a Vicksburg spot barge freight,  
22 so this is the barge freight market. The CBOT's

1 soybean futures from -- get the data from barge  
2 chart and export inspection volumes from the USDA.

3       So on this coming slide you're going to see a  
4 story of what this data shows, you know, from 2015  
5 to the first quarter of 2023. So every time I look  
6 at this chart I see something new but let me walk  
7 you through it to talk about what you're seeing  
8 here.

9       So these are line tow transit features. These  
10 mainline tows, the ones that are candidates to push  
11 large tows of grain down the Mississippi River.  
12 Those transit features, the river stage and the  
13 freight.

14       And, so, the top line, the blue line that  
15 you're seeing is the tow count and that includes  
16 both upstream and downstream tows. And the next one  
17 is the southern turn time. So when a towboat -- a  
18 mainline towboat goes through Vicksburg how long  
19 does it take to turn around and come back.

20       Then when you have the river stage, which is,  
21 you know, basically the purple line that you see  
22 there is the seasonal average of the river stage

1 and then the green line is the instantaneous river  
2 stage.

3 So when you see that in excess or, you know, a  
4 deficit, you can -- you can clearly see periods  
5 where that changes from what is considered like a  
6 normal river level for the season.

7 And then finally the barge freight. And, so,  
8 that's down on the bottom graph. And so you see in  
9 the -- kind of the teal blue line is a 10-year or -  
10 - a 10-year average.

11 I will say for those of you that, you know, I  
12 know that have a lot of subject matter expertise in  
13 markets that in 2014 there were shifting changes in  
14 the amounts and types of towboats and that were  
15 available but I looked at the different averages  
16 and it really doesn't matter. So there's -- there's  
17 not a whole lot of difference in the 10-year  
18 average in that particular average.

19 So the orange line is the instantaneous barge  
20 freight. And, so, when you start to see where  
21 aberrations from the 10 year average you can really  
22 see where markets are impacted from a freight

1 perspective. So to kind of draw attention to some  
2 and not all of the events that have disrupted the  
3 Mississippi River over this time period, you see  
4 kind of the ABCD marked lines there.

5         And, so, the first line was, you know, there  
6 was a period of high water that was much more short  
7 lived than 2019 and 2018 but you can see an  
8 elevation in the water level. You see elevation in  
9 turn time, you see a reduction in the number of  
10 tows that are transiting through a place like  
11 Vicksburg and you see elevated barge freight.

12         You see in 2019 the beginning of the great  
13 flood which was a long period of high water levels  
14 that occurred. You can see, you know, impacts on  
15 barge freight in certain parts of 2019. You can  
16 also see, you know, the turn times and being  
17 somewhat seasonal but also being an elevated  
18 impact.

19         In 2021 -- in August of '21, we had the impact  
20 of, unfortunately, Hurricane Ida which came  
21 through, was pretty much a direct hit on New  
22 Orleans and elevated barge freight from that

1 period, also elevated turn times and tow count.

2       And then we had extremely low water levels in  
3 the latter part of 2022. And there were -- there  
4 were a variety of impacts there from a logistical  
5 standpoint, from both the tow count reductions, the  
6 turn time elevation and also a prolonged period of  
7 increased levels of barge freight.

8       During that period, you know, one of the  
9 things that I wanted to show -- we're going to deep  
10 dive into Hurricane Ida and then deep dive into the  
11 drought in some coming slides to get into this data  
12 into more detail and kind of the direct  
13 relationships to markets but I do want to point out  
14 that, you know, in addition to turn time and tow  
15 count, another thing that strongly impacts barge  
16 freight is how many barges you can put on a tow, if  
17 that's restricted, and as the discussion about the  
18 Missouri River earlier, you know, how much grain  
19 can you actually put into a barge.

20       And, so, when you have restrictions of those  
21 things, those also compound the availability of  
22 freight, which in the supply demand fundamentals

1 then pulls the barge freight higher.

2       So in the periods like the extremely low water  
3 of 2022, you had reductions in tow size from  
4 something like 40 to 25 to 35 and then draft was  
5 reduced, you know, to nine foot six or nine foot or  
6 even eight foot six from, I think, what's normally  
7 around 12 feet of draft for that particular part of  
8 the river.

9       So Swati, if you don't mind to go to the next.  
10 So kind of moving -- starting with Hurricane Ida,  
11 just a re- -- a refresher on kind of the impact of  
12 that hurricane, but that was in August of 2021.

13       The NOLA area of the river was closed for a  
14 few days really due to things like downed  
15 powerlines in the river. It was just not safe. And,  
16 I mean, I think the resources of the government and  
17 the communities did a fantastic job of clearing the  
18 way to get that open.

19       There was an export facility damaged directly.  
20 You see this picture of the cargo facility, that's  
21 their export facility and there were several  
22 others. And they also had extensive power outages

1 and in some cases the power outages were more  
2 extensive what were reported during Hurricane  
3 Katrina. So these impacted the ability to be able  
4 to export grains.

5       So back to the data, so there's a -- you see  
6 that kind of the stick with the circle on it,  
7 that's when the Hurricane Ida made landfall and  
8 there was a port closure for several days after  
9 that. The yellow line that you're seeing in the  
10 graph is this average tow time and looking at the  
11 last seven days. The white line there is the 95  
12 percent level where tow times almost always fall  
13 below that.

14       So you see that there's almost three and a  
15 half weeks there after Hurricane Ida where the tow  
16 turn time between Vicksburg and coming back in  
17 south was elevated above a 95 percent level. In the  
18 data world that's -- I mean, not absolute surety  
19 but -- but certainly saying that something  
20 different is happening than normal with a pretty  
21 high confidence level.

22       Then you also have in the blue line there it -

1 - that's the number of tows that was going through  
2 Vicksburg so you see -- and that's the southern  
3 portion of towboat so you see that that was also  
4 restrictive during that period of time. So about  
5 three and a half weeks it took the market to -- or  
6 -- took the logistics really to recover from that  
7 event.

8       Then kind of moving to the next slide, I  
9 wanted to overlay what the spot barge freight  
10 looked like through this period and I've left on  
11 this graph that elevated turn time so you can kind  
12 of see what was happening logistically and then  
13 what was happening to freight markets during that  
14 time.

15       I will say that, you know, just based on --  
16 and many of you are probably familiar with these  
17 markets but that barge freight is typically bought  
18 in advance many times.

19       So it's not a lot of barge freight that's spot  
20 bought; however, the spot market does impact the  
21 [inaudible] yellow basis and it does impact markets  
22 in that way.

1           So what I wanted to point out from the white  
2 line here which is showing this spot barge freight,  
3 this is the amount of barge freight that's above  
4 the seasonal. So barge freight those change  
5 seasonally because of the harvest but this is  
6 showing what's above seasonal.

7           So you can see here that, you know, during the  
8 period of elevated barge freight corresponded to  
9 the period where you saw these elevated turn times.  
10 So the recovery, you know, you can see are  
11 happening in a very similar timeframe.

12           And the next slide, this is showing the  
13 futures spread between the -- this is from November  
14 2021 to January 2022, so you see an invert -- you  
15 see that alongside the barge freight. You see the  
16 inverse of this happening and when the hurricane  
17 hits you see that the spreads, you know, go closer  
18 together and that you see that the barge freight is  
19 increasing.

20           There was a period of time there -- you know,  
21 typically you would see things go from an inverse  
22 to carry market and that carry market didn't emerge

1 until, you know, after the hurricane disruptions  
2 had relieved. So I just kind of wanted to show what  
3 the data shows from a perspective of how markets  
4 were changing during that period.

5 Okay. So just moving, you know, quickly into  
6 the second event that I wanted to talk about today  
7 which is the 2022 drought. So again, just an  
8 overview to kind of highlight some of these things  
9 and obviously, I -- you know, I couldn't talk about  
10 everything.

11 I know that there are things that are going on  
12 right now that are impacting markets as well, but  
13 the idea here was to kind of show some of the  
14 recent things that have happened in the context of  
15 data.

16 But this was a -- had a big impact on grain  
17 markets and, you know, there were record low river  
18 levels in cities like Cairo, Illinois, Memphis and  
19 Greenville, which are very important way points on  
20 the artery of the lower Mississippi River. You know  
21 that salt water that was back flowing into the  
22 Mississippi River and there had be a sill that was

1 built to try to prevent that from happening.

2 I was mentioning earlier that, you know,  
3 something that affects the barge freight is the tow  
4 size. So the tow is typically 30 to 40 barges. That  
5 was reduced for 25 barges from -- all the way from  
6 the middle of September to December, which is a  
7 very critical part of harvest, you know, for the  
8 United States for oil seeds and grains.

9 And then the draft was reduced in the middle  
10 of October both -- both north and southbound and  
11 that was about a 24 to 30 percent reduction in  
12 tonnage per barge versus normal conditions.

13 So you have a lot of logistical issues as the  
14 Commissioner pointed out earlier with those things  
15 when they happen. You also have occurrences of dead  
16 freight, so you get charged for barge freight for a  
17 minimum amount. If you don't load that minimum  
18 amount you still get charged for that freight. So -  
19 - so that was a cost impact that was incurred by  
20 shippers.

21 So there are kind of two categories of  
22 disruptions for low -- low water: The first -- and

1 I'm talking about drought as it relates to low  
2 water. And obviously there are things that have --  
3 impacts drought from both a growth and harvest  
4 perspective from, you know, production. But this is  
5 talking more about the low water.

6       So there are navigation and bottleneck issues,  
7 so just towboats trying to navigate down a reduced  
8 river channel. And then, you know, the population  
9 of different towboats going upstream and  
10 downstream.

11       Then you also have barge fleet access issues  
12 which was something that was highlighted from the  
13 conversation and comments made at the -- at the  
14 opening comments that, you know, you have these  
15 channels where barges get loaded that get narrow  
16 because of the reduction in the river size, so it's  
17 hard to get to them or get them out of the channel.  
18 So you have to do kind of extreme things or you  
19 have to wait, right, to get those barges out.

20       So just -- this was a pretty long event  
21 horizon. So just kind of focus this graph in on  
22 that event horizon. So starting from the point when

1 the tow size and draft reduction started, so when  
2 they ended.

3 And, so, you see the two lines here that were  
4 shown during the Hurricane Ida chart but the yellow  
5 line is the average tow turn time and the blue  
6 line, which I want to point more of your attention  
7 to, is the mainline tow count.

8 So you see that there are a lot of like really  
9 large swings in that mainline tow count. So you see  
10 a big one that's happening there in the beginning  
11 of November -- I'm sorry, the beginning of October  
12 and then another big one happens where you get to  
13 the almost no tows going through that period for a  
14 period of time and then a big recovery swing after  
15 that.

16 During that recovery swing it also  
17 corresponded to a period where you saw elevated  
18 average turn times for those towboats.

19 So again, overlaying the barge freight, you  
20 can see -- I mean, those numbers on the right hand  
21 side of the graph are very large numbers, so for  
22 increases in barge freight. It's -- it's something

1 that is quite unusual to see that level of increase  
2 in spot freight.

3       So you can see that as these recovery waves  
4 are happening in the downstream flow of towboats,  
5 so they're starting to, you know, recover and  
6 transit starting to begin, you can see what happens  
7 to barge freight, you know, as it starts to relieve  
8 -- from some of those ultra highs that were  
9 happening between September and, you know, the end  
10 of October.

11       I do want to point out, however, that there's  
12 a very long tail to that barge freight increase and  
13 you can see, you know, that carry over through the  
14 end of 2022.

15       So you know, a \$10 freight increase above a  
16 seasonal average is -- you know, is substantive and  
17 also I think, you know, in talking about forward  
18 markets for barge freight, you're not just talking  
19 now about the spot barge freight but you're talking  
20 about things that could impact, you know, forward  
21 markets of procuring barge freight.

22       This is the futures curve, the spreads again.

1 I know that most -- I'll -- I'll work backwards  
2 from this one. I know that the most notable thing  
3 on this chart seems to be the large change at the  
4 end of -- where the futures -- the -- basically  
5 where that month closed and rolled over to the next  
6 month.

7 But that is affectively something that can be  
8 affected by a lot of different things and that is  
9 into delivery of the period.

10 So -- so, I -- part of the thing to show about  
11 this chart is that there are other things that  
12 affect those spreads, obviously, other than just  
13 barge freight in and of itself.

14 But you do see in, you know, the futures  
15 spreads from November to January, in that period of  
16 time, especially when -- when you first started to  
17 see impact on the freight that you did see an  
18 impact that was also happening on those spreads,  
19 you know, in the end of September.

20 Just a quick comment here, there's a lot of  
21 lines on this chart but I want to point your  
22 attention to the dashed white line which is the

1 five year average for at -- Mississippi River  
2 export inspection.

3       So this is the grains that are going out of,  
4 you know, NOLA for export. And then you -- mostly  
5 NOLA for export. And then you also have the 10-year  
6 average is the dashed green line. The gray line is  
7 the end of 2022. And I don't think it surprises  
8 anyone to see that '9, '10, '11, '12 you see, you  
9 know, reductions in the amount of exports that are  
10 going out of -- out of New Orleans.

11       I think the other thing I wanted to draw your  
12 attention to, though, is that, you know, the sea- -  
13 - the season proceeds, you know, into 2023 but you  
14 see that those numbers on the -- on the gray line  
15 are not a whole lot different than -- than the  
16 average.

17       You do see some elevation there that that is  
18 occurring. So that does continue, you know, into  
19 those trends through 2023. So you kind of have to  
20 look forward as well as just looking in the months  
21 that are happening at the end, so.

22       You know, I -- I presented a lot of material

1 and data today. I really a- -- again, I appreciate  
2 and grateful for the opportunity to have this  
3 discussion and certainly as appropriate, from the  
4 Committee and the Commission, I would very much  
5 love to engage in any comments or questions that  
6 you have.

7 MR. HERNDON: Thank you very much, Susan. So  
8 I'd like to ask if there are any questions of the  
9 committee members. We have about five minutes  
10 remaining. I think we have a hard stop at 10:45 but  
11 certainly we want to entertain any questions from  
12 you all and then to the Commissioners. Joe, go  
13 ahead.

14 MR. BARKER: I respect the time and I love the  
15 data. And, so, I just have a comment about the data  
16 not a direct question to you.

17 As an entity, the CFTC we think about helping  
18 market participants make good decisions and part of  
19 that is having good data. And if you could, as  
20 suggestion, access to data, whether that's USDA  
21 export inspection data being accurate, the census  
22 data that comes out on what's being shipped in and

1 shipped out is sometimes delayed.

2         And then I specifically wanted to highlight  
3 shipping vessel logs, not necessarily on the  
4 Mississippi but if you think about, you know,  
5 recently the port of Stockton no longer publishes  
6 its daily vessel log and that -- they publicly  
7 said, and I actually have it on my phone, U.S.  
8 Coast Guard assessment of port of Stockton  
9 identified the port's public dissemination of  
10 vessel traffic is a risk to homeland security.

11         Now, I understand there's many agencies in  
12 this U.S. government and I don't claim to  
13 understand what is a threat to public safety. But  
14 for decision making, we like to track vessels  
15 coming in and out and understanding fertilizer  
16 coming into Stockton or grain coming into  
17 Wilmington or other shipments that are going on.

18         So access to public data like Susan had is  
19 very important to the decision making that our  
20 hedgers make in these marketplaces.

21         And that's what I wanted to say.

22         MR. HERNDON: Thank you, Joe. Mr. Haag

1           MR. HAAG: Tom Haag with the National Corn  
2 Growers Association. And, Susan, thank you.

3           And my home state is Minnesota, so I'm very  
4 dear to the Mississippi and we could have another  
5 thing happen here in '23 again because of the  
6 drought and how low we are right now in our state  
7 of Minnesota and the flow going down the  
8 Mississippi.

9           It's -- we're already at lower end in  
10 Minnesota where I think they're starting to have  
11 less filling of barges. They -- they can't even  
12 fill them as full so, that hurts us for the grain  
13 going down plus also the commodities coming back up  
14 our way.

15           But thank you very much, Susan, for your  
16 presentation.

17           MR. HERNDON: Mr. Ricks.

18           MR. RICKS: Thank you. Michael Ricks with  
19 Cargill. I would just like to make one comment.  
20 Thank you, Susan, it's very, very thorough.

21           You know, the competitive markets today is  
22 making the situation even more problematic. When

1 the U.S. is the price setter, there's an ability to  
2 put some of these added costs on the receiver or  
3 the end user. But the today the U.S. and a lot of  
4 times is not the primary supplier. It's coming out  
5 of South America with expanded production.

6 That means there's little ability to move  
7 these costs down the chain because if we raise our  
8 price FOB U.S. gulf, then the buyers will just go  
9 to Brazil.

10 So what that means is the entire U.S. supply  
11 chain has to absorb these costs, which is largely  
12 the farmer. It's just a different dynamic today  
13 with the competitive situation.

14 Thank you.

15 MR. HERNDON: Buddy.

16 MR. ALLEN: Thank you. I know we're out of  
17 time. Susan, that was fascinating. Thank you for  
18 your good report.

19 Jim, you're right, we do have a problem right  
20 now. I'm from Memphis and I confirm your  
21 observations. And I would say to a group of  
22 advocates and risk managers, infrastructure in our

1 shallow water port network is critical.

2 We're -- we're behind on investment in  
3 dredging. Our appropriators on the hill are doing a  
4 good job, wh- -- based on what we learned last year  
5 and what we're seeing now. So we should put that on  
6 our -- on our list for advocacy work, it's really  
7 important.

8 Thank you.

9 MR. HERNDON: Mr. Chairman, Commissioners.

10 MR. BEHNAM: Susan, thank you, that was really  
11 incredible. Just a quick question. Have you made  
12 any -- and you may not have an answer to this but  
13 looking at your charts and the specific weather  
14 events that have occurred over the past decade, are  
15 there any measurable changes in the way the market  
16 reacted or the way -- kind of to Buddy's point, the  
17 infrastructure has changed at all such that we can  
18 be -- we can absorb these weather shocks better or  
19 is it really -- so my -- every hurricane is  
20 different, every weather event is different.

21 You -- you can't control that, but do you get  
22 a sense that there are steps being taken

1 notwithstanding again what Buddy mentioned to  
2 mitigate and absorb some of the shocks as they  
3 come?

4 MS. OLSON: Thank you, Chairman, for the  
5 question. And I think, you know, that it is  
6 somewhat difficult to compare year over year in  
7 analytics because there are a lot of unique  
8 characteristics to these things happening and while  
9 they are fairly frequent, they are still irregular.

10 I think, you know, I would love to give that  
11 question some additional thought and perhaps  
12 respond to the Committee as appropriate.

13 I will say that just from a lay perspective  
14 and looking to the response from something like  
15 Hurricane Ida, it's pretty remarkable how quickly  
16 the industry was able to recover from that but --  
17 but I think that, you know, in terms of how things  
18 have progressed over time, I need to put some more  
19 effort into that.

20 MR. BEHNAM: Thank you.

21 MS. GOLDSMITH ROMER: Thank you, Susan, that  
22 was wonderful. I think as people look at

1 forecasting for the future when you have these  
2 spikes and these extreme events, how -- how does  
3 that play in when you're looking at past data?

4 MS. OLSON: Sure, sure. And that's -- that's  
5 next on our agenda, actually, is to look at the  
6 forecasting for how long these events last and how  
7 long impacts to markets last.

8 You know, as you know there's a lot of factors  
9 that affect markets but, you know, part of the  
10 science and data science is having an objective  
11 appreciation of, you know, characterizing things  
12 and like when you take a data set that's historic  
13 to use for predicting the future.

14 You know, keeping it honest by separate that  
15 data set and to parts that are for training and  
16 parts that are for testing so that you can take  
17 that data set and train it on data but then leave  
18 sight unseen data to prove out the model, you know,  
19 on what's actually happening in data it hasn't  
20 seen.

21 But that certainly is next on our agenda is  
22 trying to create predictive models for recovery

1 periods for these sorts of things.

2 MR. BEHNAM: Commissioner Mersinger.

3 MS. MERSINGER: Yeah. Just real quick, kind of  
4 to re- -- kind of reiterate Buddy's points, I was  
5 shaking my head yes when he was talking. Because  
6 river management, it's -- it is a difficult issue  
7 as someone who grew up along the river and then  
8 worked for a senator from the state where there's a  
9 number of interests involved.

10 I think the locks and dam system that, you  
11 know, are -- from the northern part of the river,  
12 that's not -- wasn't impacting the section you were  
13 looking at.

14 There's a lot of need for improvements and  
15 those -- the systems were put in place to help  
16 manage the ups and downs of the river because  
17 that's always been the case, river highs and river  
18 lows is not a new thing.

19 But certainly, you know, there's -- there is -  
20 - I guess I would just say there's -- they're  
21 certainly an important role for the federal  
22 government to really take a look at this and

1 understand what needs to be done and where  
2 investment needs to be made to help better improve  
3 the infrastructure along these rivers to make sure  
4 that there's a better -- that we can better manage,  
5 you know, the movement of freight down the river.

6 So it's really -- that's not a question just  
7 more of reiterating the point that Buddy made.

8 MR. HERNDON: Any other questions from the  
9 audience? Swati, do you want to have some -- you  
10 have some comments?

11 MS. SHAH: Sure. Thank you all for all those  
12 questions. So now we're going to hear from Chairman  
13 Behnam, the AAC sponsor for his closing remarks.

14 MR. BEHNAM: Very briefly. Again, thanks to  
15 the commissioners for being here. Great questions.  
16 Thanks to the panelists, everyone for coming here  
17 in person and of course those who are with us  
18 virtually. I hope you're able to stick around for  
19 the afternoon.

20 There will be interesting discussion and as I  
21 said, you know, in my opening remarks, your  
22 participation is key in the development of any

1 policy out of this afternoon's discussion.

2 Scott, thank you. Swati, thank you for  
3 everything you do. We wouldn't be here without  
4 them. I know you guys know that given the  
5 engagement that's been going on over the past  
6 couple of months.

7 We're going to meet again in December. I'm  
8 going to try to get together before the holidays;  
9 we'll have some more issues to discuss.

10 But as we talked about earlier, if there are  
11 matters are emerging or that you think are sort of  
12 prime for the Committee to discuss, please let us  
13 know. This is what we're here to do. I think  
14 today's discussion was important.

15 A few things to take away on the FCM issue and  
16 the market access issue and then, Susan, thank you  
17 for that. Those are the unique moments that we have  
18 to have data driven analysis from the outside of  
19 our little community to see what's going on and  
20 what we can do to improve markets, access to  
21 markets and retain, you know, U.S. production and  
22 our ability to feed the world.

1           So thanks again for everyone's presence, your  
2 participation, your service and hope again you can  
3 stick around. Otherwise, have a great afternoon and  
4 summer. Thank you.

5           MS. SHAH: Thank you, Chairman Behnam. Thank  
6 you to all the AAC members and guest panelists for  
7 your participation at today's meeting. The meeting  
8 is now adjourned.

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3           I, Chris Naaden, a transcriber, hereby declare  
4 under penalty of perjury that to the best of my  
5 ability the above 112 pages contain a full, true  
6 and correct transcription of the tape-recording  
7 that I received regarding the event listed on the  
8 caption on page 1.

9

10           I further declare that I have no interest in  
11 the event of the action.

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13           July 24, 2023

14           Chris Naaden

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20           (130820 - CFTC AAC Meeting, 7-19-23)

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