

Testimony of  
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Committee on Agriculture

Hearing Regarding Global Market Volatility and its Impact on Commercial  
End User Risk Management

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Chairman Thompson, Ranking Member Scott, and Members of the Committee, thank you for holding this hearing on topics relevant to global market risks for agricultural commodities. I am honored to have the opportunity to contribute my testimony and appreciate your attention to these acutely important matters, in the context of the extreme market volatility we have seen in recent years.

My name is Mike Gelchie. I serve as the Group Chief Executive Officer for Louis Dreyfus Company, or LDC, which is a 172-year-old agribusiness, active in over 100 countries, with approximately 17,000 employees worldwide, including more than 1,000 in the United States. Our North American headquarters are in Wilton, Connecticut.

LDC is a leading merchant and processor of agricultural goods. We absorb and manage risks on our customers' collective behalf, provide liquidity to all value chain participants, and execute logistics services to deliver essential commodities domestically and globally in a safe, timely and reliable manner. We are proud to fulfil these roles, the effective execution of which acts as a shock absorber for both buyers and sellers along the food and agricultural value chain, ultimately contributing to competitive agriculture in the United States, which is particularly important in today's volatile and challenging markets.

With regard to global market volatility, I feel compelled to give a broad response that recognizes the significant macroeconomic and geopolitical factors that have, in our opinion, been the primary contributors to contemporary market volatility. I will do my best to summarize our observations.

Since 2018, agriculture in the United States has ridden a roller coaster of macroeconomic and geopolitical market impacts and challenges. These started with trade tensions between the United States and China, followed by acute and unprecedented supply chain disruptions as a result of the COVID-19 pandemic. Today, global stagflation and resulting currency crises around the world are negatively impacting the availability of US dollar currency exchange required to execute contractual obligations that govern agricultural trade. Additionally, over 10% of the world's calories are held in uncertain availability due to the Russia-Ukraine crisis.

Each of these topics individually warrants the attention of this Committee, and while I have mentioned them expeditiously, I hope that each member and guest here today will consider the depth and magnitude of their influence on all aspects of global agri-commodity markets.

Like many other participants in the agricultural sector, LDC relies on derivative markets to hedge risk of the underlying cash commodity. It is important to acknowledge the value that speculative traders provide by injecting liquidity into derivatives markets. Many are also quick to blame speculative traders in times of volatility, however we feel strongly that the recent volatility in agri-commodity markets is primarily due the various risks and uncertainties facing the agricultural sector, some of which I have already mentioned.

I would be remiss not to take this opportunity to applaud this Committee's collective work and oversight of the Commodity Futures Trading Commission (or CFTC). The hierarchy of jurisdiction - from your Committee to the Commission, to the self-policing efforts of commodity exchanges and the National Futures Association - brings a level of market certainty that we depend upon to accurately hedge our significant risks and continue to serve both producers and consumers of agricultural products.

The system has shown remarkable resilience in the face of extraordinary pressure and has created the gold-standard for risk management around the world. Your leadership and that of the CFTC is critical to maintaining these benchmarks in the United States, where users like us benefit from clear rules and proper market oversight, without stifling innovation and development. Maintaining liquid, agile and well-functioning markets will allow the US to continue leading in risk management.

Mr. Chairman, thank you for this opportunity to offer my testimony and I look forward to addressing your questions.

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