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"Pricing the Future: China's Ambitions for Commodity Derivatives Markets"

Introduction

Thank you, Chairman and Commissioners, for the opportunity to testify on an issue at the intersection of agricultural markets, trade policy, and financial infrastructure.

My name is Susan Stroud, founder and CEO of No Bull Agriculture, an independent market intelligence firm focused on grains, oilseeds, and biofuels. Prior to launching No Bull, I spent 15 years in commercial grain markets in the St. Louis region — the most important inland port system for U.S. bulk commodity origination — working across river logistics, freight, basis, and export flows.

The United States is not losing ground in global agriculture due to a lack of demand, but because that demand is increasingly being met by competing suppliers — particularly Brazil.

As China works to insulate its domestic food system and expand its influence over global pricing, U.S. policy should prioritize trade stability and transparency. Efforts to decouple agricultural trade risk accelerating structural shifts in global supply chains to the detriment of U.S. producers.

China remains the world's largest commodity buyer and a critical export market for the United States. The primary competitive challenge is not China's financial system, but the growing strength of alternative suppliers.

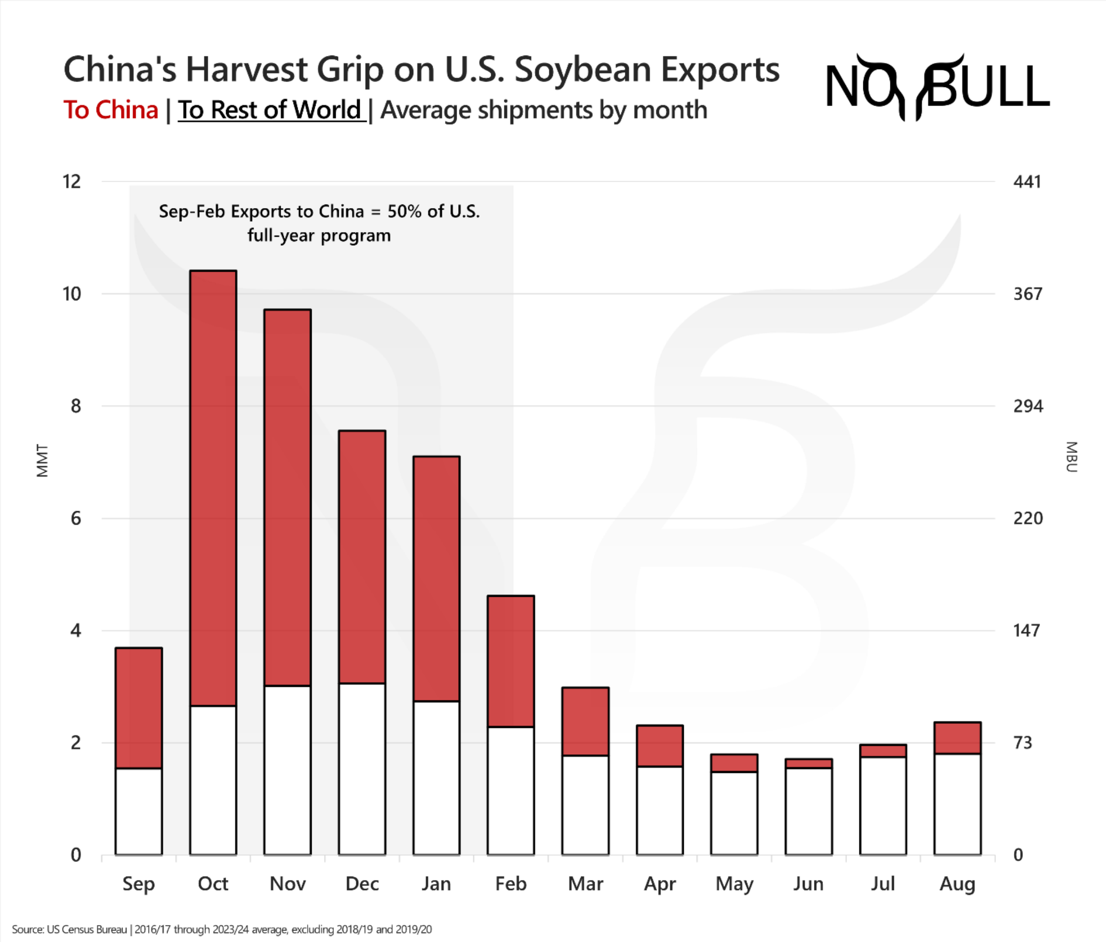
U.S.-China Agricultural Trade: Scale, Structure, and Price Responsiveness

China is the primary destination for several of the United States' most export-dependent agricultural commodities. On a five-year average basis, more than 80% of U.S. sorghum exports, roughly half of soybean exports, and about 30% of cotton exports go to China. These flows are critical to U.S. export demand.

Soybeans are the most consequential crop to American agriculture and the largest U.S. agricultural export to China by value. More than three out of every five bushels shipped globally are bound for China. For the U.S., exports to China account for roughly 25% of total soybean demand (excluding the 2018–2020 trade war disruption), alongside domestic crush at 50% and other exports near 20%. This is not a customer that can be easily replaced.

China tends to buy in a consistent, seasonal pattern. U.S. soybeans dominate shipments from harvest through winter (roughly October–January), when new crop supplies are available and prices are seasonally weakest. By late winter, China shifts almost entirely to Brazil as its harvest comes online, and that trade flow holds until the next U.S. harvest. From September through February, shipments to China alone account for roughly half of the entire U.S. soybean export program — one of the most predictable trade flows in global agriculture.

(Chart: China's Harvest Grip on U.S. Soybean Exports)



That shift also shows up in the U.S. cash market, where farm-level prices tend to plateau in the spring as demand moves to Brazil.

U.S. producers are responsive to price signals, including those tied to Chinese demand, but that responsiveness is indirect and lagged. Farmers are not reacting to daily Chinese purchasing decisions — they are responding to futures markets, basis, and forward margins, all of which embed expectations of Chinese demand.

The 2025 acreage shift is a clear example. Faced with uncertainty around trade with China, U.S. producers made a historically large move away from soybeans and into corn — with soybean area down 7% year-over-year and corn up 9%. It was one of the largest shifts out of beans and into corn on record.

Unlike a typical year — when China would have a meaningful share of its soybean needs already purchased from the U.S. by harvest — China was effectively absent at the start of the 2025/26 marketing year, with no new crop purchases on the books. China did not return to the U.S. market until late 2025, long after the acreage battle was decided, and the U.S. had effectively lost that market share to yet another record Brazilian crop.

Beyond soybeans, China's buying behavior in commodities like wheat, corn, and beef does not always follow price. Purchases are often political, strategic, or driven by internal reserves, making demand more difficult to anticipate.

This is where visibility into the market starts to fade.

China’s market data — particularly around reserves and domestic stocks — lacks transparency, and that’s not accidental. It is by design. China's corn and soybean state reserves carry no published data. The true inventory levels are known, in practice, only to COFCO and Sinograin — the two state-owned entities that manage them. USDA economists and agricultural attachés on the ground in Beijing are working from inference, not information. That is why corn and wheat balance sheets are routinely framed as 'world less China' — because Chinese state reserves are large enough that including an unreliable estimate produces a number less useful than excluding it entirely.

At times, this mutes true demand signals. China can draw from internal reserves instead of importing, largely flying under the radar. Other times, it’s more disruptive. China has stepped in to buy large volumes of U.S. wheat — only to cancel those purchases later, as recently as February 2024 and again in late 2025 — sending markets into disarray. These decisions are not price-driven; they reflect internal reserve management that the rest of the market cannot see.

The result is a less reliable signal, making it harder for U.S. producers to position for Chinese demand.

China’s Agricultural Futures Markets: Objectives, Uptake, and Impediments

China’s development of domestic agricultural futures markets serves three core objectives: improve domestic price discovery, provide hedging tools for Chinese processors and traders, and reduce reliance on U.S.-dollar-denominated benchmarks set in Chicago — in a world where global agricultural trade is still priced in USD.

Uptake has been strong domestically but limited globally.

Within China, these markets are large and highly liquid. Contracts on the Dalian Commodity Exchange (DCE) — particularly soybean meal — see significant volume and are widely used by processors to manage margins. These contracts function as a domestically insulated market, pricing Chinese supply, demand, and processing economics rather than global flows.

Globally, adoption has been limited. The primary reason is structural: global agricultural trade is priced in dollars, and Chicago remains the central hedging and price discovery venue for major exporters, including the United States, Brazil, and Argentina. In practice, this has created a two-market system — Chinese participants hedge domestically using DCE, while global exporters continue to rely on CBOT as the benchmark.

China’s contracts directly overlap with established U.S.-dollar-denominated markets, including soybeans, soybean meal, soybean oil, corn, wheat, and cotton. That overlap creates information flow and some arbitrage, but it has not displaced Chicago’s role as the global price anchor.

The primary impediments to broader international adoption are well understood. Contracts are denominated in RMB rather than USD, capital controls limit foreign participation, profits are not freely convertible, and the regulatory environment lacks transparency and consistency. Currency risk also matters — fluctuations in

USD/CNY directly impact import economics, reinforcing the importance of dollar-based pricing in global trade.

As a result, while China's futures markets are increasingly influential — and often act as a leading indicator of Chinese demand — they remain primarily domestic tools rather than global benchmarks.

Connectivity and the Impact on U.S. Growers

Chinese and global commodity markets are connected through an asymmetric feedback loop. CBOT remains the global benchmark — in large part because global grain trade is priced in U.S. dollars — but the Dalian Commodity Exchange (DCE) increasingly acts as a leading indicator of Chinese demand.

China is the largest buyer of soybeans and a key importer of feed grains, so shifts in Chinese margins and internal supply conditions show up in DCE first. When processing margins improve or domestic supplies tighten, DCE moves — and global markets respond. Chicago rallies in anticipation of Chinese buying; when demand weakens or disappears, Chicago follows lower.

This creates a two-market dynamic. DCE reflects Chinese domestic conditions, while CBOT prices global supply and trade. The two are linked, but not interchangeable. A Chinese crusher importing U.S. soybeans typically hedges by buying CBOT soybean futures to lock in input cost while simultaneously selling DCE soybean meal and soybean oil futures to protect the processing margin on the output side. This cross-market crush hedge — long CBOT beans, short DCE meal and oil — is standard commercial practice among major Chinese importers and the multinational trading houses that serve them. Price action on DCE therefore directly affects how aggressively Chinese crushers book U.S. origin soybeans, which in turn affects CBOT price levels.

Chinese market data — particularly around reserves, stocks, and quality — lacks transparency. As a result, DCE can move on factors not visible to the broader market, including policy decisions or internal reserve management. Recent price relationships in products like DCE corn starch point to underlying quality issues in China's corn crop — tightening supplies of usable grain and pulling in substitutes — even though official data does not reflect it. U.S. producers see the resulting strength in global prices, but the driver may be localized and temporary rather than broad-based demand.

There is also a structural gap in U.S. price discovery that this Commission should understand. CBOT is fundamentally a Gulf export program — it prices soybeans moving down the Mississippi River system to Gulf terminals. The Pacific Northwest export program, which ships directly to Asian markets from ports like Portland and Seattle, has no equivalent futures benchmark.

When Chinese buyers are active in the Pacific Northwest — or absent from it — that signal is not always reflected in Chicago. PNW basis can see strength from strong demand while CBOT futures trade sideways, or the reverse, adding another dimension to the transparency problem.

For U.S. producers, those signals still work their way back to the farm gate. Farmers are not watching DCE, but futures, basis, and forward contracts already embed expectations of Chinese demand.

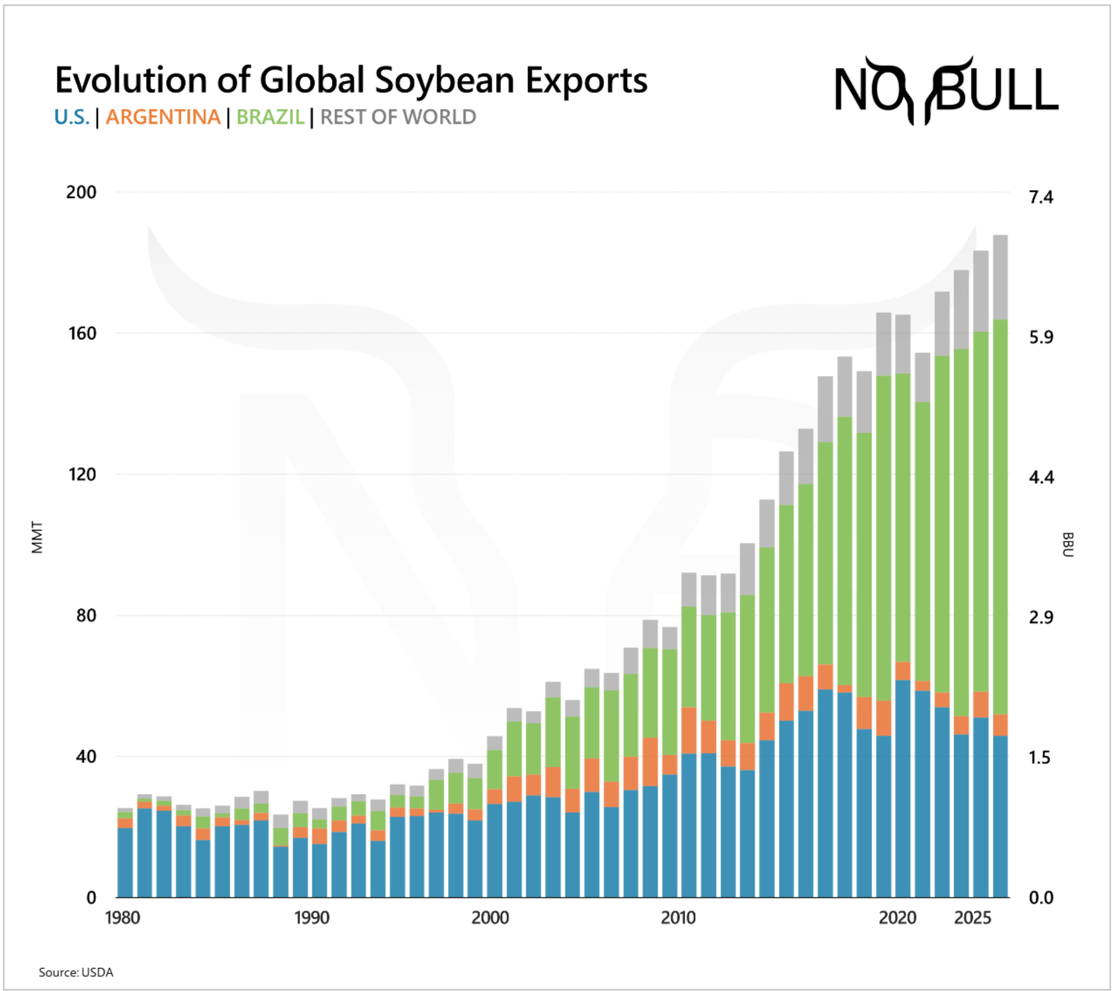
Connectivity and the Shift to Latin America

China's shift toward sourcing from Latin America — particularly Brazil — has forced a structural change in global trade flows.

Brazil's rapid expansion is the primary driver of that change. As domestic biofuel policy — particularly the Renewable Fuel Standard introduced in the mid-2000s — shifted U.S. acreage incentives toward corn, it opened a window for Brazil to scale soybean production just as Chinese import demand was accelerating. Since 2000, Brazil has accounted for roughly half of global soybean acreage growth. Over the past 25 years, its soybean area has expanded at an average pace of 5% per year, driven by conversion of pastureland and expansion into the northern Cerrado.

The turning point came in 2012, when Brazil surpassed the United States as the world's leading soybean exporter — ending a more than 50-year run of U.S. dominance. Today, Brazil exports more than twice as many soybeans as the United States.

(*Chart: Evolution of Global Soybean Exports*)

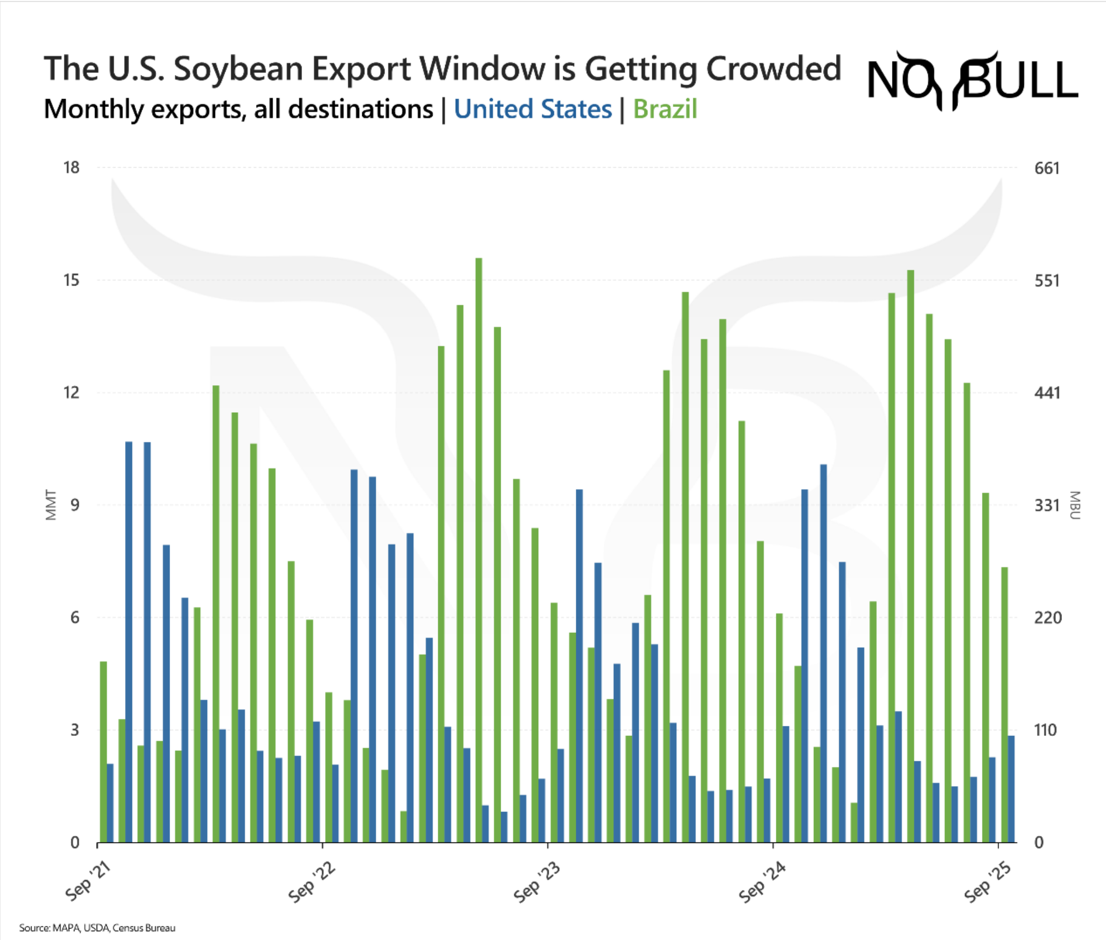


The pace of expansion has only accelerated. Since the start of the first trade war in 2018, Brazil has added more than 30 million acres of soybean production — an area larger than the combined soybean harvests of Illinois, Iowa, Minnesota, and North Dakota in 2025.

Over that same period, global soybean production has increased by roughly 60 million metric tonnes (2.2 billion bushels), with nearly 80% of those gains coming from Brazil. The result is a structural shift: the United States is no longer the primary supplier to China, but a residual one — stepping in only after South American supply is exhausted.

For U.S. growers and merchandisers, this has meant adapting to a more compressed and seasonal export window. The U.S. soybean program is now heavily concentrated immediately post-harvest, while Brazil dominates shipments for the remainder of the year. This has changed how farmers market grain and how elevators manage storage and sales. Increasingly, the U.S. fills gaps when South American production falls short rather than being the primary supplier.

(*Chart: The U.S. Soybean Export Window is Getting Crowded*)



At the same time, U.S. competitiveness has faced an additional headwind: four consecutive years of below-normal water conditions on the inland waterway system. Low water on the Mississippi, Ohio, and Illinois Rivers forces barge operators to reduce loads, increases freight rates, and in severe cases halts shipments entirely — directly widening the basis differential between U.S. interior grain and export-competitive prices at the Gulf. This is an infrastructure problem, not a weather problem — and it requires a policy response commensurate with its economic consequences.

Meanwhile, Brazil's structural advantages have continued to compound. This shift has been reinforced by Chinese investment in South American supply chains. Through COFCO and other state-linked entities, China has expanded its presence in Brazilian ports, logistics, and origination. That vertical integration gives Chinese buyers greater control over timing, flow, and sourcing — and reduces reliance on U.S. supply.

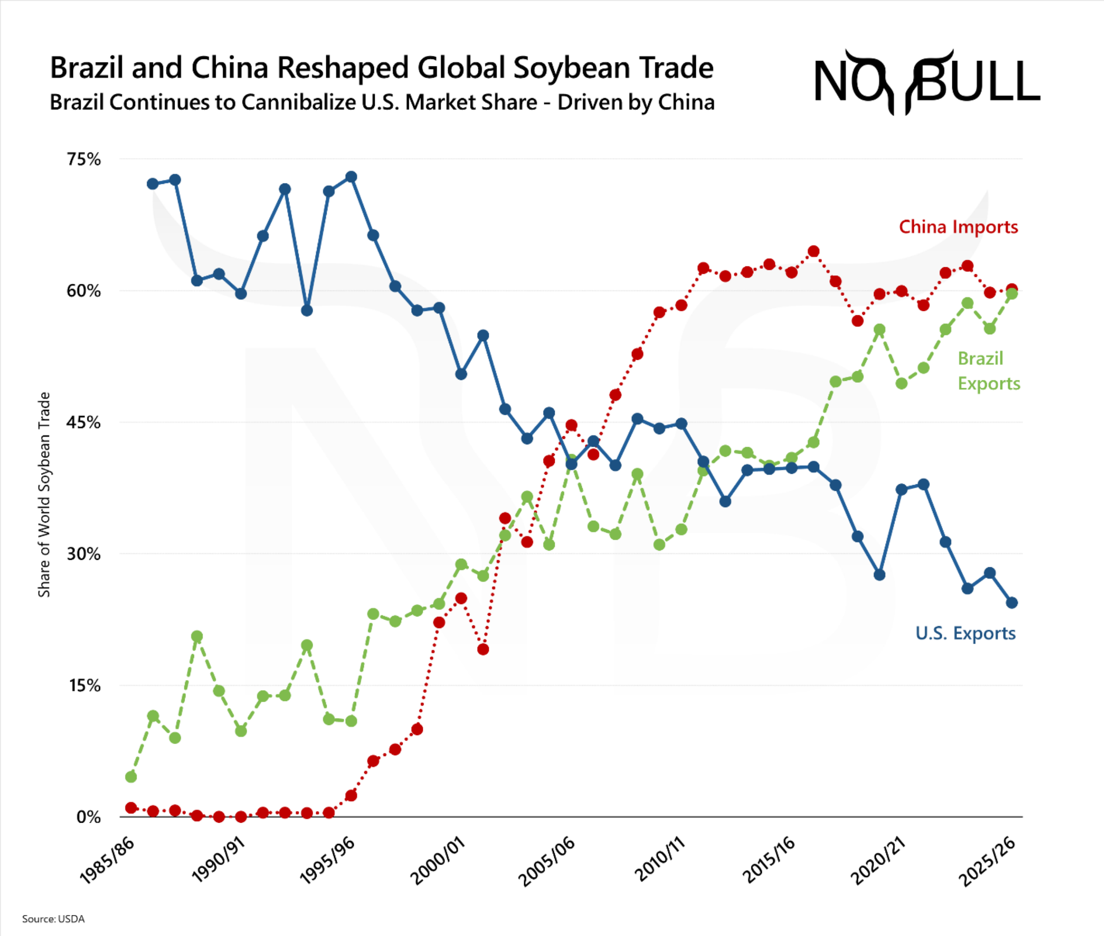
This adaptation is increasingly formalized through geopolitical frameworks like the BRICS bloc. The recent proposal for a BRICS Grain Exchange represents a deliberate attempt to create an alternative to Western-led price discovery. By fostering direct trade between members — specifically China, Brazil, and Russia — this initiative seeks to build a "closed-loop" agricultural economy that potentially bypasses the U.S. dollar and the traditional U.S. logistical hubs. For the American trader, this means we are not just losing market share to a more efficient competitor; we are witnessing the construction of a parallel trading system designed to structurally exclude U.S. participation.

American processors have adapted as well. Growth in U.S. domestic soybean crush capacity has accelerated, driven by biofuel demand for soybean oil and increased availability of domestic supply as exports struggle to remain competitive. This has helped absorb more domestic supply as export demand has softened.

For U.S. futures markets, Chicago remains the global benchmark for price discovery, but the underlying trade flows it represents have changed. CBOT still anchors pricing for global trade, including South American exports, but a growing share of the physical market is tied to Brazilian supply.

Much like U.S. wheat from the 1960s through the early 2000s, the United States once dominated global soybean trade. Today, we are seeing that same "wheatification" play out in soybeans — and increasingly corn — where the U.S. has become a residual supplier, stepping in only after South American supplies are exhausted. Market participants have adapted, but the balance of trade has shifted toward Brazil in response to sustained Chinese demand.

(Chart: *Brazil and China Reshaped Global Soybean Trade*).



Chinese Control Over Transportation and Logistics Infrastructure

China's pricing power in global agriculture is increasingly tied to control of the physical supply chain — not just futures markets. Through COFCO and other state-linked entities, China has built a meaningful presence across South America, including port terminals at Santos and Paraná inland storage, and logistics networks in key producing regions like Mato Grosso. That gives Chinese buyers direct visibility into — and influence over — export flows out of the Southern Hemisphere.

In the United States, that footprint is more limited, but it is not zero. The acquisition of Smithfield Foods by WH Group gave Chinese interests a significant position in U.S. pork processing and the associated cold chain. Concerns about Chinese acquisition of farmland near military installations have prompted legislative responses at both the state and federal level. These are legitimate national security concerns that deserve scrutiny independent of the trade relationship.

It also reflects the structural cost advantages of large-scale, low-cost production in Mato Grosso and the Cerrado, the efficiency gains from massive Brazilian port investments at Santos and other facilities, and the freight differential between Brazil and the U.S. Gulf. China's investment in South American agricultural infrastructure is a rational commercial strategy that simultaneously serves its food security objectives and reduces its dependence on U.S. origin grains.

China's Use of Futures Markets for Strategic Commodity Access

China uses futures markets as part of a broader effort to reduce reliance on U.S. pricing and the dollar. In agriculture, this means building and gradually opening domestic futures contracts as an alternative to Western benchmarks. The objective is straightforward: shift more pricing power closer to where demand sits.

In practice, China's agricultural futures markets act as a buffer against the price discovery power of CBOT. By building deep, liquid domestic markets for soybean inputs and outputs, China allows its crushing industry to hedge domestically rather than relying entirely on Chicago. This is not inherently destabilizing, but it does reduce transparency for external participants. A large domestic futures market operating alongside opaque physical stock data creates information gaps that put U.S. commercial participants at a disadvantage.

China's ambitions extend beyond its own borders. The proposed BRICS Grain Exchange represents a deliberate effort to formalize this parallel pricing architecture among member states — creating a closed-loop system where China, Brazil, and Russia price and settle agricultural trade outside of USD-denominated benchmarks. Brazil, as both a founding BRICS member and China's largest agricultural supplier, is the most logical first candidate for RMB-settled commodity trade; bilateral RMB/BRL settlement agreements are already in place. If China succeeds in pricing Brazilian soybeans through DCE-linked contracts settled in RMB, it will have removed the world's largest agricultural trade relationship from the dollar-denominated system — without displacing a single U.S. farmer.

Looking ahead, China's futures markets will likely play a larger role in regional price discovery — particularly across Asia and among Belt and Road partners. We have already seen this playbook work in iron ore, where China dominates demand and pricing power has shifted closer to the buyer. Agriculture faces a higher bar given the long-standing role of CBOT, and limits to yuan convertibility remain a constraint — but the direction is clear: China is building a parallel system to reduce reliance on Western benchmarks.

Policy Signals: The 15th Five-Year Plan and Beyond

China's 15th Five-Year Plan, approved in March 2026 and covering 2026–2030, builds on the themes of the 14th Plan: prioritizing food security and self-sufficiency, expanding domestic corn and soybean acreage through incentive programs, biotech (including GMO adoption), and continuing to develop the strategic grain reserve system. China has also signaled an intent to reduce reliance on imported soybeans through increased domestic production and alternative protein sources — though structural constraints around arable land and yield potential remain.

The plan also calls for further development of commodity financial infrastructure, including expanded international access to select futures contracts and bilateral currency agreements that could facilitate RMB settlement of commodity transactions. The Belt and Road Initiative continues to drive agricultural infrastructure investment across Africa, Central Asia, and Southeast Asia — further diversifying supply chains away from the United States.

The most important near-term variable is not the Five-Year Plan — it is the current tariff escalation and its second-order effects. China's retaliatory tariffs on U.S. agricultural goods, now back at or above 2018 levels, will accelerate the shift toward Brazil and Argentina.

Every month of sustained trade disruption deepens China's reliance on Brazil, reinforcing and expanding its dominance in global trade. The more the U.S. forces the issue with China, the more market share it risks losing — not just temporarily, but permanently — to Brazil.

Additional Trends the Commission Should Monitor

- **The COFCO-South America vertical integration story will continue to deepen.** The Commission should track Chinese state enterprise investment in port, storage, and processing assets across Brazil and Argentina — and notably the Chancay "smart port" in Peru, a COSCO-developed deep-water facility that reduces trans-Pacific transit times to Asia by approximately 20%. These investments give Chinese state-linked buyers increasing control over the timing, flow, and cost of South American commodity shipments, reducing structural reliance on U.S. origin in ways that persist independent of tariff policy.
- **Argentine corn and wheat purchases by China** — unprecedented in recent cycles — signal a continued broadening of China's supplier base beyond its traditional reliance on Brazil and the United States. This trend will accelerate if U.S.-China trade frictions persist.
- **The U.S. renewable diesel and biofuel sector has created a new domestic demand anchor for soybean oil and other feedstocks.** Policy decisions around the 45Z Clean Fuel Production Credit, the Renewable Fuel Standard, and tariffs on foreign used cooking oil and tallow directly affect domestic soybean demand that partially offsets the China export exposure. The Commission should understand these linkages when assessing agricultural trade vulnerability.
- The **RMB internationalization** effort remains gradual, but it deserves attention — particularly in the context of bilateral agricultural settlement agreements with Brazil, Russia, and Belt and Road partners. A move toward RMB-based pricing of Brazilian soybean exports at scale would represent a meaningful inflection point warranting immediate Commission review.
- **The 15th Five-Year Plan (2026–2030) and yield targets.** Beijing's 15th Five-Year Plan has set a target of 725 million tons of domestic grain production by 2030. The focus has shifted from acreage expansion to aggressive yield improvement programs, particularly the large-scale adoption of GE corn. If these productivity gains materialize, China's structural import requirement will decline, rendering U.S. market access vulnerable regardless of trade policy.
- **The BRICS Grain Exchange proposal**, if it advances toward implementation, would represent the most significant structural challenge to Western commodity price discovery in decades. The Commission should track its development, membership commitments, and any progress toward a

common settlement currency as a leading indicator of parallel market formation.

- **Digital agriculture and data asymmetry** represent an emerging issue the Commission is not yet widely tracking. China is investing heavily in agricultural AI, remote sensing, and crop monitoring systems. To the extent Chinese state entities develop superior real-time visibility into global crop conditions, they gain an informational edge in commodity markets that U.S. commercial participants — and even USDA — cannot match. This asymmetry compounds the existing opacity problem around Chinese physical stock data.

Policy Recommendations

Based on the foregoing analysis, I offer the following recommendations for Congressional consideration:

1. Prioritize Trade Stability and Predictability Over Escalation

The most economically damaging outcome for American agriculture is not Chinese futures market development or data opacity — it is sustained trade disruption that permanently redirects Chinese import demand toward Brazil and Argentina. Congress should resist the impulse to use agricultural exports as leverage in broader geopolitical conflicts, recognizing that each disruption cycle further entrenches structural market shifts that disadvantage U.S. producers. The first trade war demonstrated that Chinese buyers adapt and that adaptation is not easily reversed. A second prolonged disruption will accelerate that process at a pace and scale that could permanently reduce U.S. market access in soybeans, sorghum, and cotton.

2. Demand Greater Transparency from China as a Condition of Market Access

The opacity of Chinese commodity market data — reserve levels, domestic production, and crushing margin data — creates systematic disadvantages for U.S. commercial actors and distorts global price formation. Congress should direct USTR and USDA to negotiate, as part of any bilateral agricultural framework, minimum data transparency commitments from China analogous to those required of WTO members in good standing. This should include timely reporting of state reserve levels and import cancellation notification protocols. Transparency is a precondition for stable, efficient trade — not a favor China can selectively extend.

3. Invest in U.S. Export Infrastructure to Defend Competitive Position

The United States' long-run competitive position in global grain markets depends not just on trade policy, but on physical export infrastructure. The Mississippi River system remains the most cost-efficient bulk export corridor in the world — when it functions at capacity. In recent years, repeated low-water conditions have exposed how vulnerable that system is, constraining barge drafts, raising freight costs, and directly weakening U.S. price competitiveness at the worst possible time.

At the same time, the Army Corps of Engineers' lock and dam system — the backbone of inland waterway commerce — includes infrastructure that is decades past its intended service life. Congress should treat modernization of locks and dams, along with dredging and water management, as a national economic priority. This is not discretionary infrastructure spending — it is a direct investment in U.S. export competitiveness. Every dollar deferred on river infrastructure is a dollar that makes Brazilian soybeans more competitive at the Chinese port gate.

4. Scrutinize Chinese Agricultural Infrastructure Investment with a Clear National Security Framework

Congress should establish a clear, consistent framework for reviewing Chinese state enterprise investment in U.S. agricultural processing, logistics, and farmland — one that distinguishes legitimate national security concerns from commercial competition. Committee on Foreign Investment in the United States review should be mandatory for agricultural processing and port logistics acquisitions by entities with material Chinese state ownership. At the same time, restrictions should be targeted and evidence-based, not overly broad, to avoid diplomatic escalation that further disadvantages U.S. agricultural exporters.

5. Strengthen Agricultural Market Intelligence and Early Warning Capacity

Congress should fund enhanced USDA capacity to monitor Chinese commodity markets, supply chain flows, and state reserve management — including dedicated monitoring of DCE price signals and South American logistical flows controlled by Chinese-affiliated entities. The USDA Foreign Agricultural Service and Economic Research Service are underfunded relative to the strategic importance of the intelligence they provide. Closing the information gap on Chinese market conditions is essential to helping American producers and exporters make informed decisions.

Conclusion

China is simultaneously the United States' most important agricultural customer and a strategic actor working methodically to reduce its dependence on U.S. supply. Those two things are not contradictory — they are the commercial and geopolitical reality that American agricultural policy must navigate. This isn't a choice between business as usual and cutting ties. It's about being deliberate — protecting access to the world's largest import market while investing at home so U.S. agriculture remains competitive for the long run.

Brazil is the true long-run competitive threat to U.S. agricultural market share in China — not Chinese futures markets. Every policy choice that disrupts the bilateral trade relationship accelerates the structural realignment toward South America. The Commission and Congress would serve American agriculture best by understanding that dynamic clearly and crafting policy accordingly.

I thank the Commission for the opportunity to present this testimony and am happy to answer any questions.