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AUGUST 2017

CHS Leaders Meet on Ag Issues in Washington, D.C.



From trade to taxes, legislators heard from CHS in June on how federal policy impacts producers and the cooperative system. CHS CEO Jay Debertin, members of the Board of Directors, CHS New Leaders, and Government Affairs team gathered in Washington, D.C. in conjunction with the National Council of Farmer Cooperatives Washington Conference.

“This trip helps folks experience the real opportunity we all have to share our voices - in D.C. or locally - with elected leaders to let them know the impact policymaking has in hometown communities,” said John Engelen, vice president, Government Affairs.

“I’m well aware of agricultural issues in my area and the political process was nothing what I expected it to be,” said Keaton Sameshima, Agfinity Cooperative. “The people we met on Capitol Hill were willing to hear what constituents have to say on issues. I believe we can make a very positive impact through advocacy like this.”

Eight future cooperative leaders gained federal policy experience as part of the Political Advocacy with CHS Government Affairs program, an extension of the CHS New Leaders program aimed at learning skills critical for engaging effectively and making a powerful impact on issues relevant to CHS and its owners.

“I never thought we would get to see the inside of so much of everything that goes on with the lobbying,” said Tyson Lovejoy, Northern Resource Cooperative. “The more and more I’m involved, I want to be help in our co-op show that our voice can be heard.”

Participants were nominated by their co-op managers because of the potential they possess for leadership within their respective co-ops and the agriculture industry in general. 2017 participants included:

In this issue

- CHS Leaders Meet on Ag Issues in Washington, D.C.
- New Renewable Fuel Standard Proposed
- CHS Voices Concerns on RFS Compliance to EPA
- CHS Brings Farmers Voice to Trade Discussions
- Town Hall Discussion at Inver Grove Heights with Congressman Jason Lewis
- Rep. Hultgren tours CHS Elburn
- CHS joins Propane Days in Washington
- CHS joins NGFA fly-in
- Montana Ag Summit
- Minnesota Trade Mission to Cuba
- Progress on Tax Reform?

State updates

North Dakota Governor Burgum Gets to Know CHS

Keaton Sameshima, Ault, Colorado; Agfinity; Dan and Robin Dormaier, Almira, Washington, AgLink; Tyson and Cassie Lovejoy, Warroad, Minnesota, Northern Resource Cooperative; and Scott and Chelsi Neufeldt, Inman, Kansas, Mid Kansas Cooperative

Directors participating in the meeting included: Dan Schurr, Iowa; David Johnsrud, Minnesota; Randy Knecht and David Kayser, South Dakota; Jon Erickson, North Dakota; C.J. Blew, Kansas; and Greg Kruger and Mark Farrell, Wisconsin.

Advocacy efforts focused on CHS support for the Section 199 Domestic Production Activities deduction and extension of the Alternative Fuel Mixture Excise tax credit. The group also discussed priorities for the North American Free Trade Agreement (NAFTA) renegotiation and inland waterways infrastructure and funding.

In the House and Senate, participants urged Congress to consider the unique status of farmer cooperatives when developing tax reform proposals. CHS has been a steadfast advocate for retaining Section 199 and educated members of Congress about why a corporate rate reduction generally would not benefit CHS and its members.

As one of the nation's largest propane wholesalers, and owners of the largest fleet of pressurized propane vehicles in the country, CHS strongly urged Congress to pass a multi-year extension of the Alternative Fuel Mixture Excise tax credit.

Lawmakers and staff welcomed CHS participation in discussions surrounding NAFTA renegotiations. Any major changes in the economic platform established in NAFTA could result in extensive new tariffs and non-tariff barriers being applied against U.S. food and agricultural exports. CHS stressed that America's farmers, food manufacturers and agribusinesses can't afford to lose any access to the Mexican and Canadian markets.

The group informed lawmakers that the current inland waterways modernization program is already a model Public-Private Partnership. CHS and the inland waterways operators industry have consistently opposed tolls and lockage fees that would seek to increase what commercial operators - just one of many beneficiaries of the waterways - pay under the current diesel fuel tax collection system, a tax that was increased by 45 percent in 2014.

New Renewable Fuel Standard Proposed

As part of its latest Renewable Fuel Standard mandate, The U.S. Environmental Protection Agency has called for at least 15 billion gallons of corn-based ethanol to be blended into the nation's transportation fuel supply next year.

EPA's proposal would require refiners to use a total of 19.24 billion gallons of renewable fuel, including 15 billion gallons of ethanol, and the remainder



From Left: North Dakota Governor Doug Burgum (R-ND), and Michelle Slyder, CHS manager, Pipeline DOT Compliance

In April, CHS North Dakota Directors Carlson, Erickson and Fritel and CHS Government Affairs staff John Engelen and Jake Hamlin met with North Dakota Governor Doug Burgum (R-ND). In a separate meeting CHS Pipelines and Terminals staff participated in the first of a series of meetings with oil, gas and pipeline company representatives. CHS discussed its continued investments in pipeline safety and damage prevention particularly for pipeline gathering systems.

Cooperative Network Cultivates Partnership at Minnesota Capitol



Minnesota Co-op Day at the Capitol brought together nine cross-sector groups for meetings with agency commissioners, caucus leaders and more than 50

met with a mix of biodiesel and biofuels. The total number is 40 million gallons less than what EPA set for 2017 due to a lack of "advanced" cellulosic biofuel production.

The 15 billion gallon level for corn-based ethanol is the maximum amount allowed under the 2007 RFS law, and the ultimate goal of the ethanol industry. The EPA will now take comment from the public on the proposal until Aug 31. A final decision is expected by the end of November.

CHS Voices Concerns on RFS Compliance to EPA

CHS leadership voiced concerns to the U.S. Environmental Protection Agency asking them to resist calls to change rules around who must comply with the Renewable Fuel Standard (RFS).

The EPA has asked the public for input on whether the market for trading Renewable Identification Numbers (RINs) may be vulnerable to manipulation. RINs are tradable credits refiners must use to demonstrate compliance with the RFS. Earlier this year, CHS expressed its concerns with RINs trading in a letter to the EPA. Read full letter [here](#).

CHS believes moving the point of obligation would only increase the complexity of the RFS program, cause significant market disruption, and do little to increase production, distribution and use of renewable fuels.

Last year, some refiners petitioned the EPA to shift the point of obligation from refiners to blenders and distributors further down the fuel supply chain to alleviate RFS compliance costs.

CHS also called out significant issues with the RIN trading market. RINs can currently be purchased and sold in an obscure, over-the-counter type market among a variety of parties, including some financial entities not part of the fuel supply chain. There is no federal oversight of the trading market and it doesn't offer the intelligence tools common to commodity markets.

The market price for RINs has surged in recent months, costing some refiners, including CHS, millions of dollars.

CHS Brings Farmers Voice to Trade Discussions

Together Canada, Mexico and the United States make up one of the most competitive and successful economic regions in the world. The success of this trading relationship has come largely from economic cooperation, integration and policy alignment. Although some important gaps in U.S. export access still remain, increased market access under the North American Free Trade Agreement (NAFTA) has been a windfall for U.S. farmers, ranchers, food processors and cooperatives.

On May 18, 2017, President Trump informed Congress of his intentions to renegotiate NAFTA. The administration is adhering to the consultative process required by the Trade Priorities and Accountability Act of 2015 (TPA or Fast Track), which provides both Congress and industry an opportunity to weigh in on negotiating objectives. CHS has attended numerous meetings with the Office of the U.S. Trade Representative (USTR) and the United States Department of Agriculture (USDA), and consistently delivered the message that NAFTA should be modernized in ways that preserve and expand upon the gains achieved over the last 20+ years.

On July 17, USTR released the ["Summary of Objectives for the NAFTA Renegotiation"](#). Specific to CHS and our producer owners, there are unique sections on both agricultural goods and energy.

CHS leadership, Board of Directors, New Leaders and Government Affairs

legislators. Cooperative Network members shared the impact of policy proposals on their businesses and communities. Policy priorities included regulation of water quality, local cooperative governance, taxation of property, transportation, and other issues. CHS Board of Directors Curt Eischens and David Johnsrud and numerous independent cooperative customer general managers attended.

CHS Observes Memorial Day at Inver Grove Heights

A service organized by the CHS Veterans Employee Resource Group, gathered more than 200 employees to recognize the service and sacrifice of the men and women who lost their lives in service.

Names of 18 family and friends were read, a bell ringing after each name. Liz Dapp, chairwoman, 2016 Medal of Honor Convention, shared the story of two Medal of Honor recipients who were recognized for their efforts in Afghanistan in 2009. Also in attendance was Inver Grove Heights Mayor George Tourville.

The CHS Veterans Employee Resource Group is open to all employees, both veterans and non-veterans and offers support and camaraderie, provides networking and mentoring opportunities, and serves as a resource for employees formerly or currently serving in the military. View Memorial Day Service of Remembrance [here](#).

Concordia College Students Experience D.C. with CHS

Students from Concordia College in Moorhead, Minn. marked the end of spring semester with an up close look at D.C. with help from CHS. The business school students participated in panel discussions on political advocacy on behalf of cooperatives and a

staff recently met with members of Congress to discuss upcoming negotiations and advocate for maintaining existing duty-free market access for agricultural goods. They also discussed ways to eliminate non-tariff barriers to U.S. agricultural goods that unfairly limit access to markets.

The first round of NAFTA negotiations will take place in Washington, D.C. from August 16-20, 2017. NAFTA negotiators plan to convene seven rounds of negotiations, each separated by three weeks, with the goal of completing the negotiations by early 2018.

Town Hall Discussion at Inver Grove Heights with Congressman Jason Lewis



Congressman Jason Lewis (R-MN-2)

Nearly 100 CHS employees gathered for a Town Hall discussion at CHS headquarters on agriculture issues, tax reform, trade policy and health care with U.S. Representative Jason Lewis (R-MN-2). Lewis is serving his first term in the House and is a member of the Budget, Education and the Workforce, and Transportation and Infrastructure committees.

Rep. Hultgren tours CHS Elburn



On May 30, Rep. Randy Hultgren (R-IL-14) toured CHS Elburn. Pictured from left to right: Phil Farrell, CHS Elburn General Manager; Rep. Hultgren; Mike Kinsella, Grain Operations Manager; and Dave Myers, Agronomy Manager.

CHS joins Propane Days in Washington

From right: U.S. Sen. Joni Ernst (R-Iowa) visits with Iowa

discussion on how to advocate for issues facing our industry. Representatives from CHS, Farm Credit Council, CoBank and the National Council of Farmer Cooperatives hosted the group.

CHSPAC Update

CHSPAC, the political action committee of CHS Inc. employees and owners is a federal non-partisan political action committee. CHSPAC members voluntarily pool their personal financial resources to help elect candidates for federal office. Participation is limited to eligible CHS employees and our owners

From Jan 2017 – Jun 30, 2017, CHSPAC contributed \$70,500 to the following 39 candidates running for federal office in 22 states and to the following political action committees:

- Rep. Ralph Abraham (R-LA-5) \$1,000
- Rep. Jodey Arrington (R-TX-9) \$1,000
- Rep. Don Bacon (R-NE-2) \$2,000
- Sen. Tammy Baldwin (D-WI) \$1,000
- Rep. Jim Banks (R-IN-3) \$1,000
- Sen. John Barrasso (R-WY) \$1,000
- Rep. Jack Bergman (R-MI-1) \$1,000
- Sen. Bob Casey (D-PA) \$2,500
- Rep. James Comer (R-KY-1) \$1,500
- Rep. Michael Conaway (R-TX-11) \$1,000
- Rep. Kevin Cramer (R-ND-AL) \$3,500
- Sen. Mike Crapo (R-ID) \$2,500
- Rep. Rodney Davis (R-IL-13) \$1,000
- Sen. Joe Donnelly (D-IN) \$1,000
- Rep. Sean Duffy (R-WI-7) \$1,000
- Rep. Neal Dunn (R-FL-2) \$1,000
- Sen. Michael Enzi (R-WY) \$2,500
- Rep. John Faso (R-NY-9) \$1,000



Propane Gas Association CEO Deb Grooms, CHS Propane Account Manager Dallas Engel and Ashley Engel. Dallas Engel traveled to Washington in June as part of the National Propane Gas Association's annual Propane Days meeting. Engel spoke to lawmakers and staff about CHS propane's legislative priorities, including tax reform and the need for the government to maintain accurate national propane supply data.

CHS joins NGFA fly-in



More than 50 members of the NGFA's Country Elevator Committee and International Trade/Ag Policy Committee, including Randall Broady, general manager, CHS Shipman and Sarah Gallo, CHS Washington Representative, met in Washington, D.C., in June. In addition to conducting committee meetings, they spent a day on Capitol Hill meeting with more than 90 congressional offices from both sides of the aisle, promoting NGFA priorities, including inland waterways and ports infrastructure funding, North American and Asia-Pacific trade negotiations, and responsible farm bill conservation policies.

Montana Ag Summit

Kyle Koschmeder, general manager, CHS Cut Bank, participated in a panel discussion during the Montana

- Rep. Michael Gallagher (R-WI-8) \$1,000
- Rep. Garret Graves (R-LA-6) \$2,000
- Rep. Trey Hollingsworth (R-IN-9) \$1,000
- Rep. Ron Kind (D-WI-3) \$1,000
- Sen. Amy Klobuchar (D-MN) \$1,000
- Rep. Jason Lewis (R-MN-2) \$3,500
- Rep. Roger Marshall (R-KS-1) \$2,000
- Rep. Dan Newhouse (R-WA-4) \$1,500
- Rep. Peter Olson (R-TX-22) \$1,000
- Rep. Cedric Richmond (D-LA-2) \$1,000
- Sen. Michael Rounds (R-SD) \$1,500
- Rep. Stephen Scalise (R-LA-1) \$2,500
- Rep. Austin Scott (R-GA-8) \$1,000
- Rep. John Shimkus (R-IL-15) \$1,000
- Rep. Bill Shuster (R-PA-9) \$2,500
- Rep. Adrian Smith (R-NE-3) \$1,000
- Rep. Bennie Thompson (D-MS-2) \$1,500
- Rep. Glenn Thompson (R-PA-5) \$1,000
- Rep. Greg Walden (R-OR-2) \$2,500
- Rep. Tim Walz (D-MN-1) \$1,500
- Sen. Ron Wyden (D-OR) \$1,000

- American Fuels and Petrochemical Manufacturers PAC \$2,500
- Association of Oil Pipelines PAC \$1,000
- The Fertilizer Institute FERT PAC \$2,500
- National Council of Farmer Cooperatives PAC \$2,500
- National Propane Gas Association PAC \$1,000
- Renewable Fuels Association PAC \$2,500

Questions? Need



From left: Kyle Koschmeder, general manager, CHS Cut Bank General Manager, Sen. Steve Daines (R-Mont.)

Ag Summit 2017. Hosted by Sen. Steve Daines (R-Mont.), the event is held to promote and enhance Montana's agricultural sector with local, state and national leaders. Cooperatives have a rich legacy in Montana, and CHS is proud to be part of that story. More than 6,000 Montanans are CHS member owners, and CHS employs 1,500 Montanans at locations across the state.

assistance on an issue?

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Minnesota Trade Mission to Cuba



Representatives of Minnesota's agricultural sector met with leaders of a Cuban cooperative and the Cuban minister of agriculture's staff

Agricultural leaders from Minnesota embarked on a trade mission to Cuba in late-June. The trip was led by Minnesota Lt. Gov. Tina Smith and included State Sen. Julie Rosen and Agricultural Commissioner Dave Frederickson. CHS Prairie Lakes Sales Manager Erica Boyum also joined the mission as part of a diverse group of state agricultural leaders.

"Although Cuba is a small and developing country, there is opportunity for agricultural trade," says Erica Boyum, CHS Prairie Lakes. "Cuba imports nearly 80 percent of its food and since we are only 90 miles away, its important we're engaged."

The group met with a variety of organizations during their time in Cuba including the Institute of Animal Sciences, the Ministry of Agriculture, and the Ministry of Foreign Affairs. U.S. policies towards the island, particularly those related to agriculture, were top of mind with Cuban leaders and

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organizations.

The delegation visited Cuba at an interesting time, as President Trump revealed the administration's new policies concerning Cuba just days before they left. Minnesota Sen. Amy Klobuchar (D) and Rep. Tom Emmer (R-6) have consistently led bipartisan efforts to end trade restrictions with the country. CHS has supported legislation to end the embargo, lift travel restrictions and improve financing, which continues to be one of the major hurdles for agriculture shippers.

"Cuba is definitely a market in which CHS would like to be present," says Audley Burford, Latin American Customer Relationship Manager for Grain Marketing North America. "We are currently working through the process of getting authorized as registered suppliers."

The Cubans were interested in learning more about the U.S. cooperative system and how its structure benefits producers and other small businesses. The Institute of Animal Sciences recognized the benefits of importing U.S. grain to help with supplemental feed for livestock and collaborating with the U.S. to help Cuba's study of animal diseases such as avian flu.

"The Cuban government and agricultural cooperatives are eager to work with and learn from Minnesotans to advance their agriculture system, and showed great desire to have a mutually beneficial relationship," said Boyum.

Progress on Tax Reform?

While Trump administration officials say tax reform is underway, so far no draft legislation has been made public.

Many observers expect lower corporate tax rates to be included in the new draft tax reform. However, the unpopularity of a "border adjusted tax" on imports as a way to pay for comprehensive tax reform, raises questions about what other offsets will be.

Some clues may be found in tax reform legislation drafted three years ago by former House of Representatives' Ways & Means Committee Chairman Rep. Dave Camp (R-Mich.). Rep. Camp's proposal, would have paid for lower corporate tax rates by eliminating nearly all tax credits and deductions in the tax code, including the Section 199 Domestic Production Activities Deduction that is so beneficial to cooperatives like CHS.

In July, the Senate Finance Committee approved the nomination of David Kautter to be the Treasury Department's assistant secretary for tax policy. If confirmed by the full Senate, Kautter is likely to play an important role in the Administration's efforts to overhaul the tax code.

Republican leaders are expected to produce a tax reform plan in September. CHS Government Affairs, the company's directors and business unit leaders are continuing a multi-year effort to educate lawmakers about the effect of tax reform proposals on cooperatives.

