

# COMMODITY INSIGHTS DIGEST

SUMMER 2023

INTERVIEW WITH A PRACTITIONER EXPERT:

**JULIE LERNER, FOUNDER AND CEO,  
PANXCHANGE**



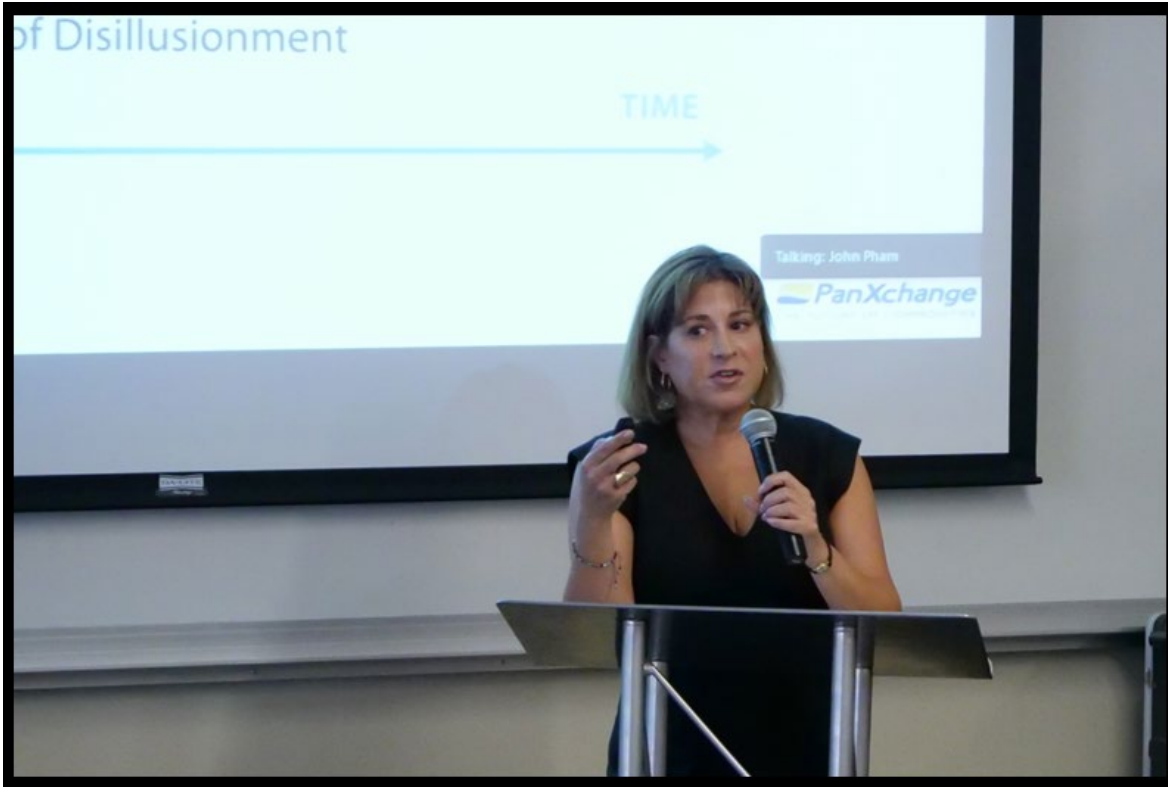
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## Interview with a Practitioner Expert in the Commodity Markets

### Interview with Julie Lerner

Founder and CEO, PanXchange; and Editorial Board Member, *Commodity Insights Digest*



**Julie Lerner**, the Founder and CEO of PanXchange, is also an Editorial Board Member of the *Commodity Insights Digest*.

In the Summer 2023 issue of the *Commodity Insights Digest*, we are delighted to interview Julie Lerner, Founder and CEO of U.S.-based PanXchange, a web-based trading and price-discovery platform for physical commodities. In this interview we learn how her career evolved, and how PanXchange was founded. Lerner is a regular contributor to media outlets such as the *Wall Street Journal*, the *Financial Times* and Bloomberg TV. She has also been endorsed as a Futures Industry Association Innovator. In addition, she has been recognized both in the *Forbes* 50>50 in Finance and in the *Denver Business Journal's* most admired CEO's.

*How did you become involved in commodities, and how has your career evolved?*

I was always interested in a career in international business and envisioned that I would somehow be involved in import/export such as with fine wines and silks.

During my time in university, I was involved in AIESEC, a student organization that provided work visas (and so much more!) for a global exchange of interns. After my post-graduation internship in Geneva, Switzerland, I interviewed at Cargill. The interview process at Cargill was quite time-consuming, but the more I learned, the more I was determined to receive an offer from them. At one point, they thanked me



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but said that they could not obtain a work permit for me. However, I had done so much work with AIESEC that I was able to secure another work permit within a week. That was so rare that they just had to hire me!

The rest, as they say, is history. I fell in love with the world of commodity trading, and there is no better classroom to learn commodity market fundamentals than at Cargill. I rose through the ranks to become their senior trader for Latin American Sugar and launched their first in-country warehouse operation in Peru; back then, outside of traditional grains, trade houses had much fewer assets like warehouses, port facilities, and processing facilities along the supply chain. During my stint at Cargill, the firm launched its now highly successful financial division, and the group taught me how to embed options into contracts (e.g., we could offer a sugar grower a minimum price guarantee as long as we would not have to pay above a certain price for a cargo – a “zero cost collar.”) I was fascinated by these innovative products, but unfortunately, there was an uphill battle to gain client acceptance of them. When electricity became deregulated in the U.S., I jumped at the rare chance to work on a “new” commodity market and signed with Sempra Energy Trading. My niche within commodities became an ability to embrace emerging product markets. I subsequently accepted an offer from XL Financial to help build an agricultural product line within their weather derivatives business, which was another new offering in commodities at that time.

*Can you tell us about your firm, PanXchange, and how it started?*

As one could infer from the first question, my passion within the commodity markets is a penchant for stirring up the *status quo*. I thought the inefficiencies involved in physical trading were ridiculous, especially given the technology that was emerging. I would spend the majority of the day on the phone trying to drum up profitable deals – calling the broker who specialized in Brazilian sugar, then the one focused on Thai sugar, then my direct contacts who might have sugar to sell, and finally calling my freight broker to see how much it would cost from those origins to Dubai. If all went well, I would put together the deal.

PanXchange started with the electronic platform that I designed to centralize the marketplace for price discovery and market access. Physical commodity trading is much different than stocks and commodity derivatives because every aspect of the trade – quantity, quality, location, type of transport, and type of payment – impacts price, and each aspect needs to be negotiated. I ended up with two U.S. patents on the system. After a successful pilot launch in world-market sugar, I realized that the market, though global, was too small. Only three companies moved more than 70% of the world’s sugar, and the last thing they wanted was the transparency and efficiency that my company’s system offered!

I was subsequently awarded a contract to test the program in Kenya for maize and wheat. That quickly expanded to Uganda and Tanzania and 30 different types of grains and beans. From there, we expanded into other markets, which has proved to be essential in preparation for the agricultural carbon markets that we are launching now.



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*What current trends in the commodity markets are impacting your business? And where are the opportunities?*

It is all about Environmental, Social and Governance (ESG) today, but really the interest is just in the “E.” It is urgent; it is chaotic; and it is changing daily. We are launching a program in the Voluntary Carbon Market with a focus on agriculture because we saw the need to create a program that was financially viable to the average farmer.

There are all kinds of motivations to be in this market. At one extreme, we have the purists, who focus far more on the accuracy of the science but often without regard to how cumbersome their programs are for businesses. At the other extreme, there are the financial-markets players seeing a different kind of green when they realize how many billions of dollars it would take for public companies to meet their carbon-neutral goals through purchasing carbon offsets (credits). If we want to successfully reduce GHG emissions, we need to meet in the middle with financially sustainable programs that incentivize everyone: farmers, manufacturers, energy companies, energy consumers and financiers. This will take a long time, but we must start somewhere.

*In 2018 you wrote an article on [“Blockchain for Physical Commodity Markets - A Realist's Perspective.”](#) What are your current views on this technology in the physical commodity markets?*

I am so glad you asked this question. Back in 2018 when blockchain was the hottest fintech word, a colleague decided that I was “the Grim Reaper of Blockchain.” Regarding physical commodities, especially agriculture, it is a badge I wore – and still wear – proudly. We are decades away from fixing issues like identity-preserving bulk commodities and standardizing the documentation. However, for digital commodities like carbon credits, distributed ledger technology (DLT) is essential. DLT allows PanXchange to build liquidity in the market. It offers an immutable record of essential aspects of the credit such as (a) where and how that credit was earned, (b) if the credit was even issued yet, (c) if it was retired to a carbon offsetter, and even (d) if the seller is trying to sell the same credit twice. With this particular use case, we are rapidly ramping up on the actual implementation of this technology in our trading platform.

*What advice would you give those students and young professionals who are interested in pursuing a career that touches on the commodity markets?*

Physical commodity markets feed and fuel the world, and it has never been a more interesting time to play a part in their evolution. We have some tough challenges to address such as where the metals come from to make electric vehicle (EV) batteries, and how we treat those countries and workers. At least in the U.S. energy market, no one is addressing the issue that our electricity grid cannot support a rapid conversion to EV vehicles, or what to do with solar panels when they degrade. Thus, we still need fossil fuels. In agriculture, we have food security issues, including a lack of crop diversity and geopolitical instability.

In all markets, whether they are in energy, metals or agriculture, we need to collaborate to find economically viable solutions to feed and fuel the world with less land and less damage to the planet,



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especially reducing greenhouse gases. I encourage all students who are independent thinkers and quick thinkers to do at least a couple of internships at the major trade houses – such as at an energy firm then at an agricultural firm. Students might discover that trading is for them, but even if not, if one wants to be an effective part of the climate solution, I think it is essential to learn from these experts how the world really works.

*Thank you, Julie Lerner, for the opportunity to interview in the CID!*



# COMMODITY INSIGHTS DIGEST

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*CID* seeks to foster knowledge transfer between academics and practitioners by publishing:

- Scholarly research digest articles;
- Practitioner insights and interviews;
- Articles on economic history; and
- Book reviews.

Contributors to *CID* include (a) scholars seeking to enhance the impact of their research by delving into the practical implications of their theoretical or empirical studies; (b) consultants reporting on challenges faced by commodity market participants; and (c) industry economists providing analyses on their areas of market expertise.

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