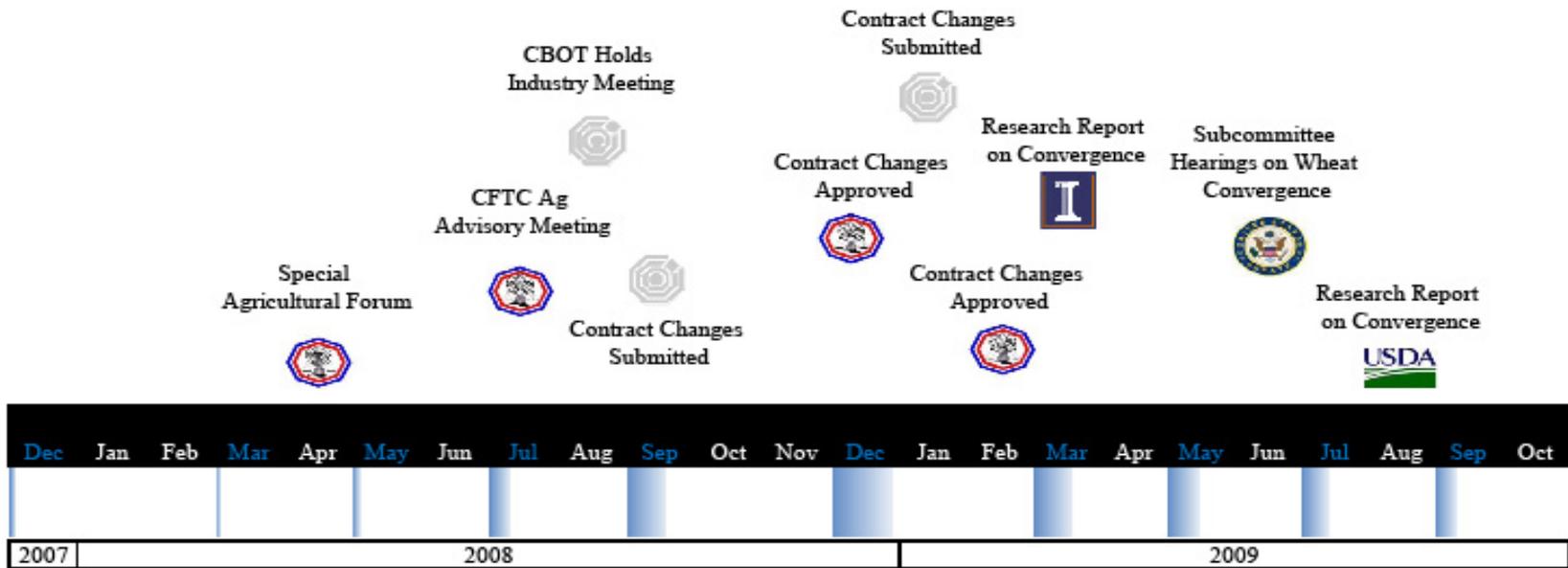




RECENT HISTORY OF CONVERGENCE ISSUES AND REMEDIES IN CBOT WHEAT

Christa Lachenmayr
Agricultural Advisory Committee Meeting
Washington, DC
October 29, 2009

CHRONOLOGY



FALL 2008 CONTRACT CHANGES

- Submitted September 2008, approved December 2008
 - Effective July 2009: three delivery locations, a 12-county area in NW Ohio (20 cent discount); territory along the Ohio River from Cincinnati to the Mississippi River (par); and territory along the Mississippi River from St. Louis to Memphis (20 cent premium);
 - Effective July 2009: storage fees of eight cents per bushel from July 18 through December 17 (the rest of the year remained at five (5) cents);
 - Effective September 2011: vomitoxin of 2 parts per million (ppm) for par delivery and discounts for 3 and 4 ppm at 12 and 24 cents per bushel, respectively.
- The rationale for changes:
 - the proposed delivery territories would *foster convergence by expanding deliverable supplies*;
 - higher storage charges improve convergence by *allowing spreads to widen and the nearby contract to fall relative to cash values*; and
 - a reduction in the maximum amount of vomitoxin would enhance convergence as the par *deliverable grade would reflect milling quality wheat*.



PRELIMINARY RESULTS

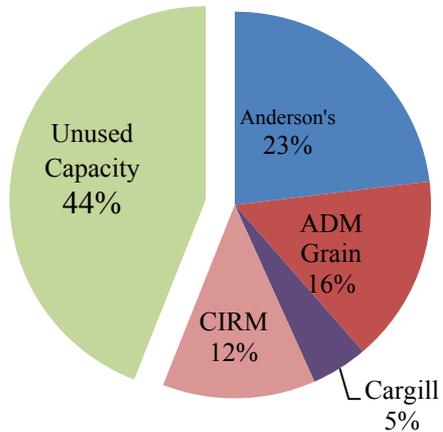
- Additional Delivery Territory
 - 183 million bushels of storage space added; only 5% of space in new territory is being utilized
 - Although record deliveries, fewer outstanding receipts than before changes.
 - A vomitoxin outbreak occurred within a large part of the new deliverable territory

- Seasonal Storage Rate
 - Increase to 8¢ from 5¢ for July 18-December 17
 - Spreads widened, although not discernable if the nearby dropped (improving convergence) or the deferred increased (increasing appeal of “cash and carry”).

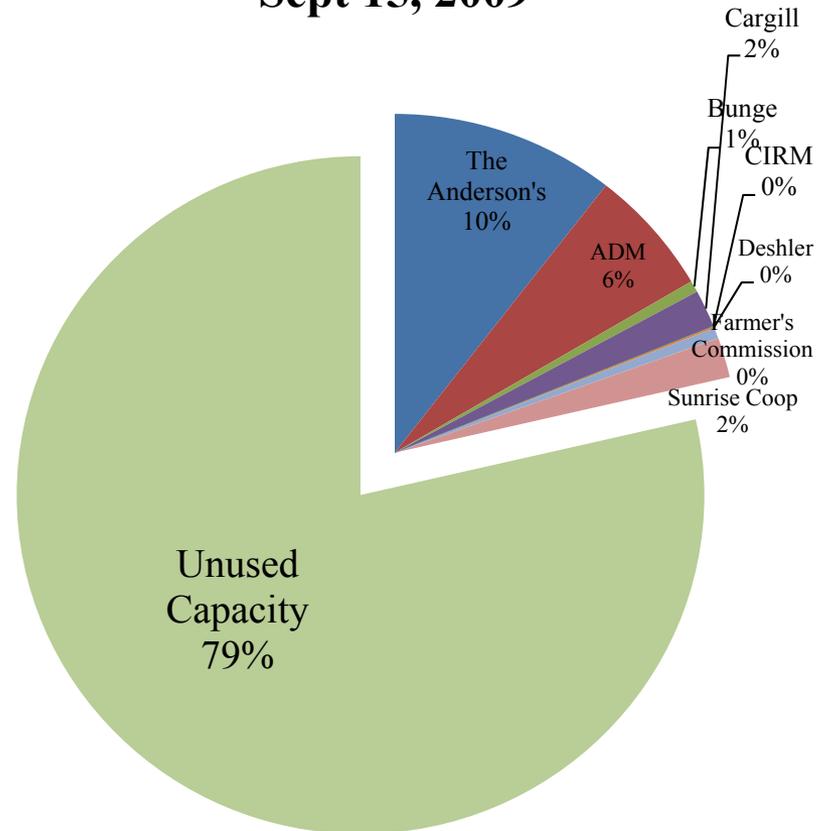


CBOT WHEAT DELIVERY CAPACITY AND REGISTERED RECEIPTS

July 1, 2009



Sept 15, 2009

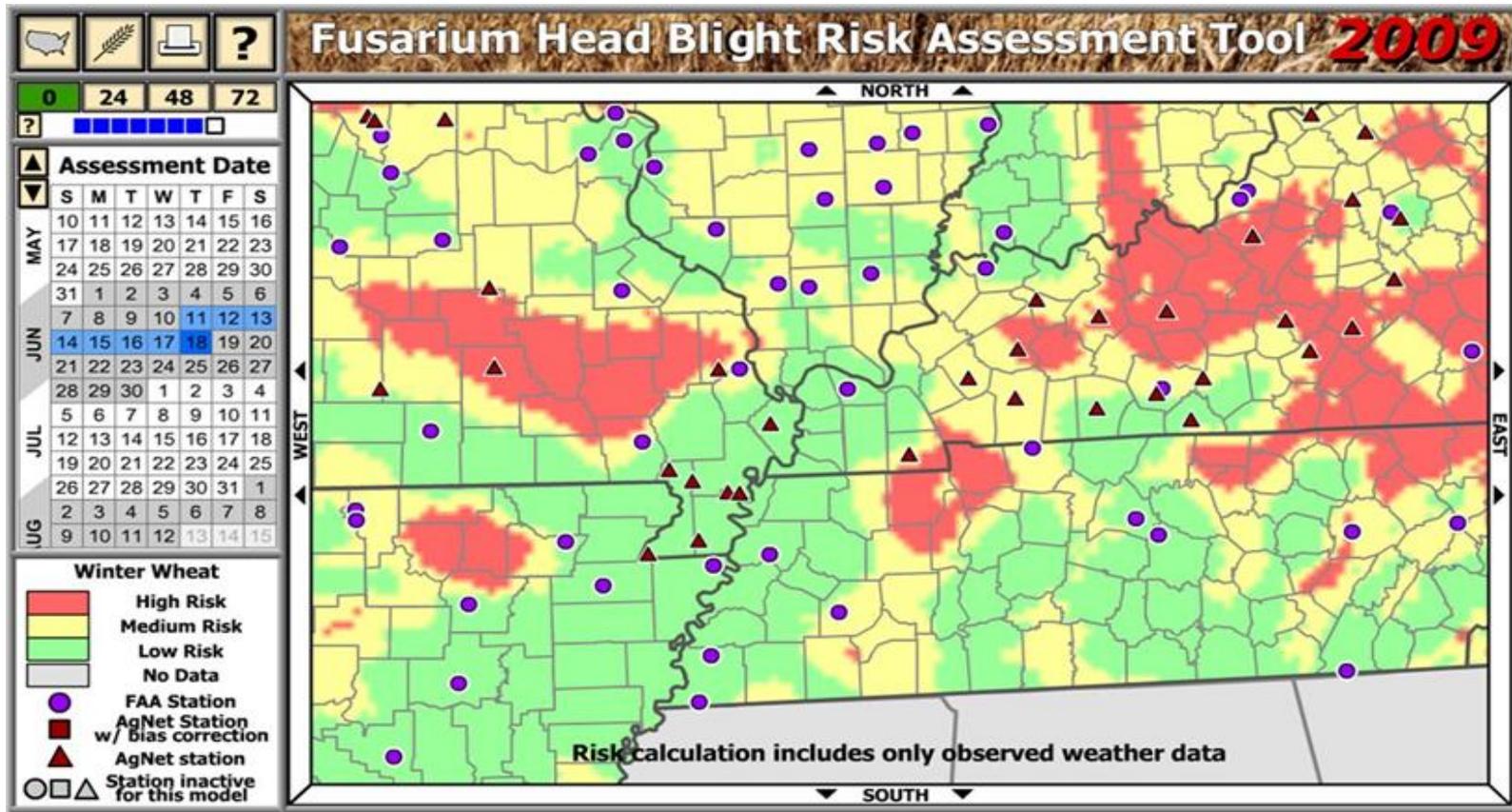


	July 1	Sept 15
Registered Receipts	8,254	7,094
Total Capacity	14,754	36,913



VOMITOXIN RISK AREAS FOR 2009

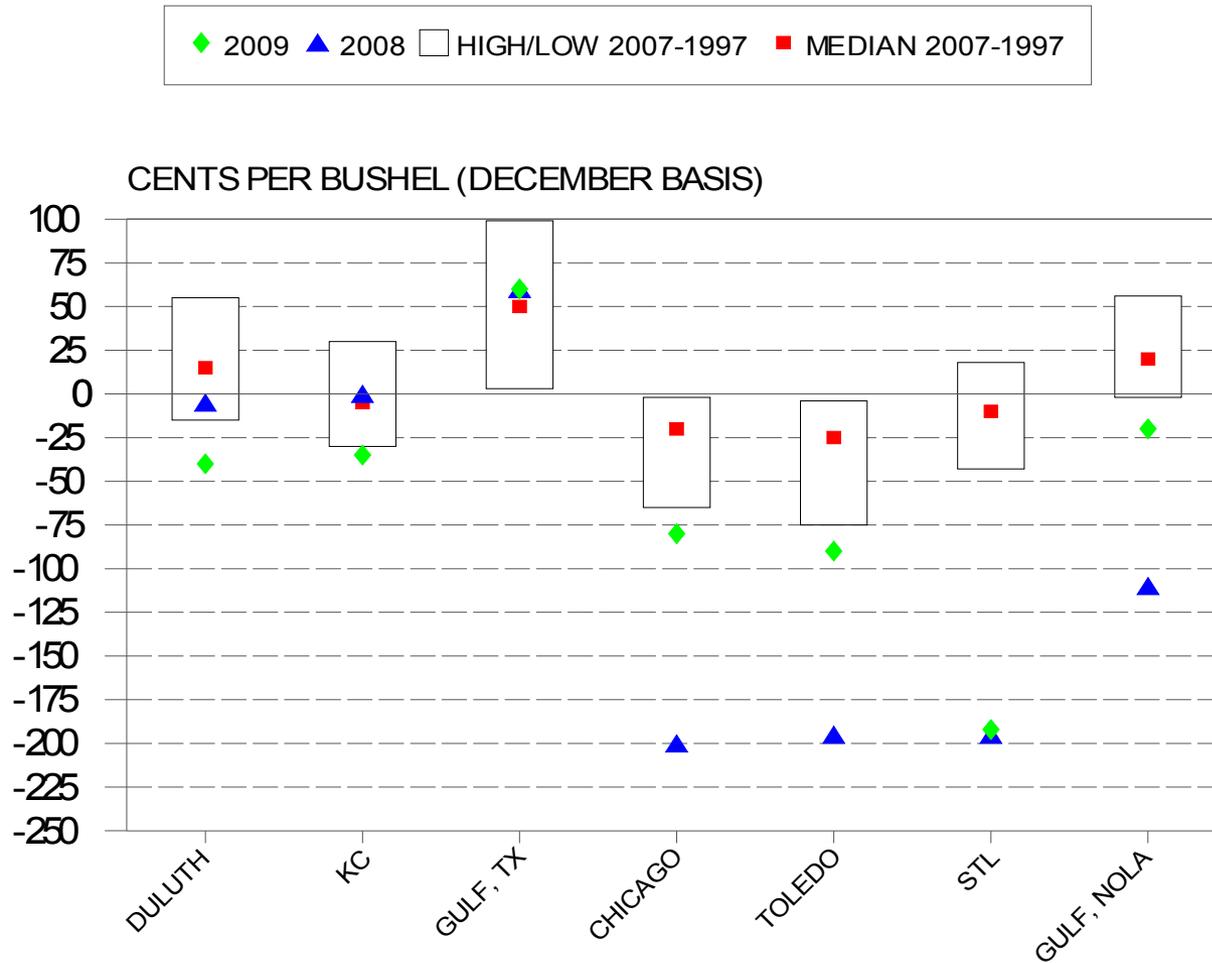
WHEAT CROP



Source: The Fusarium Head Blight Prediction Center (The Penn State University, The Ohio State University, Kansas State University, Purdue University, North Dakota State University and South Dakota State University)



BASIS COMPARISON FOR LAST WEEK OF SEPTEMBER 2009, 2008 AND 2007-1997 RANGE



IMPLEMENTATION OF FALL 2008 CHANGES

- Since there was uncertainty about efficacy at the time of approval, the Commission recommended that the Agricultural Advisory Committee (Subcommittee on Convergence) research:
 - Modified compelled load-out;
 - Restrictions on “cash and carry,”
 - Increased storage rates;
 - Cash settlement;and
 - Restrictions on hedge exemptions and changes to the pricing basis (Gulf)
- The Commission also noted CBOT’s commitment to continue active dialogue on additional changes, should they be warranted

