



Agricultural Markets Performance
Talking Points – April 2008

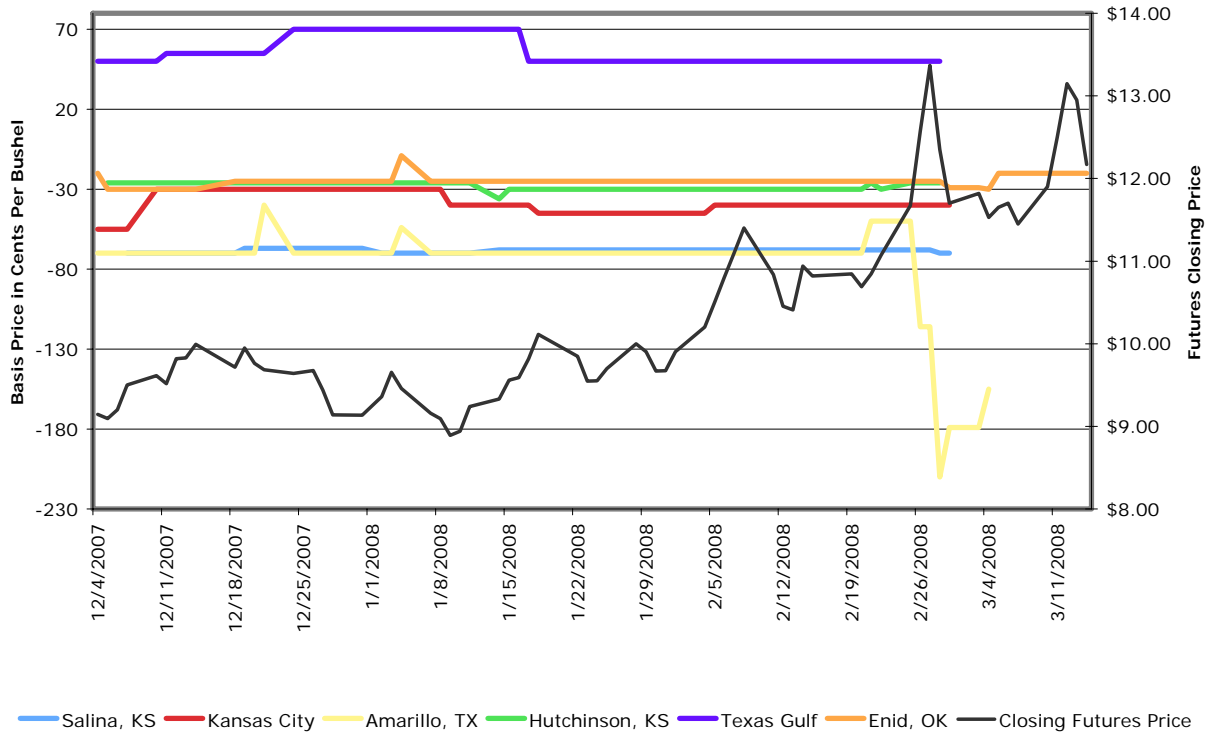
Issues Expressed by Market Users:

- Cash/futures convergence concerns in agricultural contracts
- Hedge exemptions granted to index funds and the concentration of index fund positions in front month futures contracts
- Exchanges should establish hedge margins rates that are lower in relation to speculative margin rates – hedge margin rates should only apply to commercial hedgers
- The higher market volatility is putting stress on margin financing relationships
- The higher market volatility is causing many commercials to only do forward contracting 60 to 90 days out – anything further out than 90 days is done as an unpriced basis contract
- Settlement price disparities during fund roll periods

KCBT Observations, Thoughts, Suggestions & Actions:

- The KCBT wheat futures contract has worked well and converged to appropriate in-store cash grain values at the delivery point(s) at expiration. Takers of delivery have executed on the contract (loaded out the grain) for both domestic and export destinations.
- The CFTC may be in the best position to address the index fund hedge exemptions. We would encourage the Commission to readdress these types of exemptions and consider reasonable conditions in connection with their continuance. One example might be that their total direct or indirect futures hedge position be limited to a percentage maximum in the front two months, thus creating an incentive to spread the total position across several contract months and ease position concentration.
- The exchange has contemplated lower margins for hedgers than specs in order to recognize the cash commodity offset inherent to a true commercial hedge position. The problem is that the financial hedger would gain the same benefit and the intent of the margin bifurcation would not be realized, meaning commercials want to see financial hedgers pay more in margin than commercial hedgers – the CFTC may want to consider this in connection with any contemplated changes to the definition of a “bona fide” hedger.
- KCBT has been sensitive to the margin financing strains caused by the higher market volatility, price limits and margins. We have endeavored to maintain margins that protect the exchange without placing undue stress on margin financing. We have received positive input from both commercial users and banking institutions in response to our sensitivity on this issue.
- The high market volatility and prices has caused some commercials to withdraw from normal forward pricing operations, due to the margin financing risk involved in long-term forward pricing. Perhaps the new crop harvest will alleviate some of this apprehension. Should the Federal Reserve look at ways to provide liquidity to the agricultural financing industry by accepting commercial agricultural collateral (warehouse receipts, etc.)? Assuming this phenomenon continues, should legislation (i.e., farm bill, etc.) be considered to create some form of default insurance to help protect elevators?
- KCBT is currently evaluating its floor settlement price procedure for consideration of recommended guidelines for adjusting settlements out of line with information known to the committee (spread orders, etc.) in accordance with subsection (e) of Rule 2005.01.

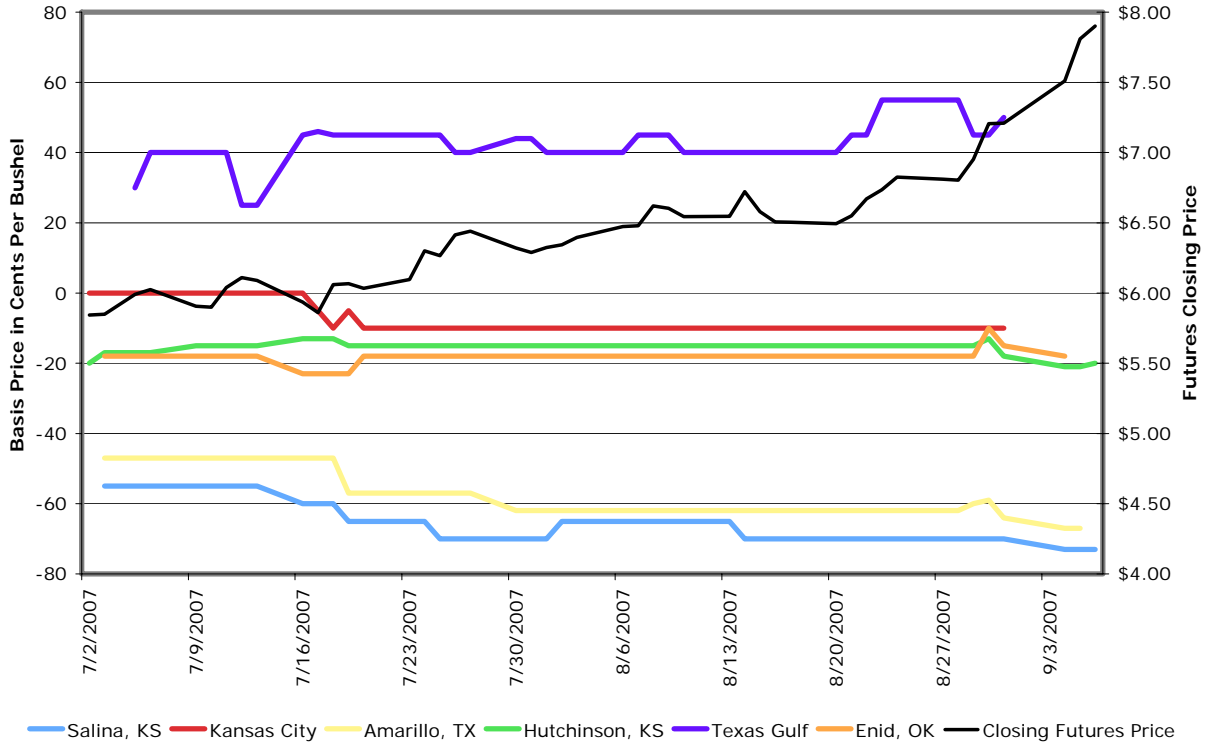
KCBT HRW Wheat March Basis at Selected Spot Locations



	Salina, KS	Kansas City	Amarillo, TX	Hutchinson, KS	Texas Gulf	Enid, OK	Closing Futures Price	
12/4/2007			-55	-70		50	-20	9.145 0.09145
12/5/2007			-55	-70	-26	50	-30	9.095 \$0.09
12/6/2007			-55	-70	-26	50	-30	9.2 \$0.09
12/7/2007	-70		-55	-70	-26	50	-30	9.5 \$0.10
12/10/2007	-70		-30	-70	-26	50	-30	9.615 \$0.10
12/11/2007	-70		-30	-70	-26	55	-30	9.5175 \$0.10
12/12/2007	-70		-30	-70	-26	55	-30	9.8175 \$0.10
12/13/2007	-70		-30	-70	-26	55	-30	9.83 \$0.10
12/14/2007	-70		-30	-70	-26	55	-30	9.9925 \$0.10
12/18/2007	-70		-30	-70	-26	55	-25	9.715 \$0.10
12/19/2007	-67		-30	-70	-26	55	-25	9.95 \$0.10
12/20/2007	-67		-30	-70	-26	55	-25	9.7625 \$0.10
12/21/2007	-67		-30	-40	-26	55	-25	9.6875 \$0.10
12/24/2007	-67		-30	-70	-26	70	-25	9.64 \$0.10
12/26/2007	-67		-30	-70	-26	70	-25	9.675 \$0.10
12/27/2007	-67		-30	-70	-26	70	-25	9.44 \$0.09
12/28/2007	-67		-30	-70	-26	70	-25	9.14 \$0.09
12/31/2007	-67		-30	-70	-26	70	-25	9.135 \$0.09
1/2/2008	-70		-30	-70	-26	70	-25	9.36 \$0.09
1/3/2008	-70		-30	-70	-26	70	-25	9.655 \$0.10
1/4/2008	-70		-30	-54	-26	70	-9	9.4575 \$0.09
1/7/2008	-70		-30	-70	-26	70	-25	9.1575 \$0.09
1/8/2008	-70		-30	-70	-26	70	-25	9.0925 \$0.09
1/9/2008	-70		-40	-70	-26	70	-25	8.89 \$0.09
1/10/2008	-70		-40	-70	-26	70	-25	8.94 \$0.09
1/11/2008	-70		-40	-70	-26	70	-25	9.24 \$0.09
1/14/2008	-68		-40	-70	-36	70	-25	9.33 \$0.09
1/15/2008	-68		-40	-70	-30	70	-25	9.56 \$0.10

1/16/2008	-68	-40	-70	-30	70	-25	9.59	\$0.10
1/17/2008	-68	-40	-70	-30	50	-25	9.815	\$0.10
1/18/2008	-68	-45	-70	-30	50	-25	10.1125	\$0.10
1/22/2008	-68	-45	-70	-30	50	-25	9.8475	\$0.10
1/23/2008	-68	-45	-70	-30	50	-25	9.5475	\$0.10
1/24/2008	-68	-45	-70	-30	50	-25	9.55	\$0.10
1/25/2008	-68	-45	-70	-30	50	-25	9.7	\$0.10
1/28/2008	-68	-45	-70	-30	50	-25	10	\$0.10
1/29/2008	-68	-45	-70	-30	50	-25	9.9025	\$0.10
1/30/2008	-68	-45	-70	-30	50	-25	9.67	\$0.10
1/31/2008	-68	-45	-70	-30	50	-25	9.6725	\$0.10
2/1/2008	-68	-45	-70	-30	50	-25	9.9025	\$0.10
2/4/2008	-68	-45	-70	-30	50	-25	10.2025	\$0.10
2/5/2008	-68	-40	-70	-30	50	-25	10.5025	\$0.11
2/6/2008	-68	-40	-70	-30	50	-25	10.8025	\$0.11
2/7/2008	-68	-40	-70	-30	50	-25	11.1025	\$0.11
2/8/2008	-68	-40	-70	-30	50	-25	11.4025	\$0.11
2/11/2008	-68	-40	-70	-30	50	-25	10.8375	\$0.11
2/12/2008	-68	-40	-70	-30	50	-25	10.455	\$0.10
2/13/2008	-68	-40	-70	-30	50	-25	10.41	\$0.10
2/14/2008	-68	-40	-70	-30	50	-25	10.94	\$0.11
2/15/2008	-68	-40	-70	-30	50	-25	10.82	\$0.11
2/19/2008	-68	-40	-70	-30	50	-25	10.845	\$0.11
2/20/2008	-68	-40	-70	-30	50	-25	10.69	\$0.11
2/21/2008	-68	-40	-50	-26	50	-25	10.845	\$0.11
2/22/2008	-68	-40	-50	-30	50	-25	11.0725	\$0.11
2/25/2008	-68	-40	-50	-26	50	-25	11.6725	\$0.12
2/26/2008	-68	-40	-116	-26	50	-25	12.5725	\$0.13
2/27/2008	-68	-40	-116	-26	50	-25	13.37	\$0.13
2/28/2008	-70	-40	-210	-26	50	-25	12.35	\$0.12
2/29/2008	-70	-40	-179			-29	11.7	\$0.12
3/3/2008			-179			-29	11.82	\$0.12
3/4/2008			-155			-30	11.53	\$0.12
3/5/2008						-20	11.65	\$0.12
3/6/2008						-20	11.7	\$0.12
3/7/2008						-20	11.45	\$0.11
3/10/2008						-20	11.9	\$0.12
3/11/2008						-20	12.5	\$0.13
3/12/2008						-20	13.15	\$0.13
3/13/2008						-20	12.95	\$0.13
3/14/2008						-20	12.17	\$0.12

KCBT HRW Wheat Sep Basis at Selected Spot Locations



	Salina, KS	Kansas City	Amarillo, TX	Hutchinson, KS	Texas Gulf	Enid, OK	Closing Futures Price
7/2/2007			0	-20			\$5.84
7/3/2007	-55	0	-47	-17		-18	\$5.85
7/5/2007	-55	0	-47	-17	30	-18	\$5.99
7/6/2007	-55	0	-47	-17	40	-18	\$6.02
7/9/2007	-55	0	-47	-15	40	-18	\$5.91
7/10/2007	-55	0	-47	-15	40	-18	\$5.90
7/11/2007	-55	0	-47	-15	40	-18	\$6.04
7/12/2007	-55	0	-47	-15	25	-18	\$6.11
7/13/2007	-55	0	-47	-15	25	-18	\$6.09
7/16/2007	-60	0	-47	-13	45	-23	\$5.94
7/17/2007	-60	-5	-47	-13	46	-23	\$5.86
7/18/2007	-60	-10	-47	-13	45	-23	\$6.06
7/19/2007	-65	-5	-57	-15	45	-23	\$6.07
7/20/2007	-65	-10	-57	-15	45	-18	\$6.03
7/23/2007	-65	-10	-57	-15	45	-18	\$6.10
7/24/2007	-65	-10	-57	-15	45	-18	\$6.30
7/25/2007	-70	-10	-57	-15	45	-18	\$6.27
7/26/2007	-70	-10	-57	-15	40	-18	\$6.41
7/27/2007	-70	-10	-57	-15	40	-18	\$6.44
7/30/2007	-70	-10	-62	-15	44	-18	\$6.32
7/31/2007	-70	-10	-62	-15	44	-18	\$6.29
8/1/2007	-70	-10	-62	-15	40	-18	\$6.32
8/2/2007	-65	-10	-62	-15	40	-18	\$6.34
8/3/2007	-65	-10	-62	-15	40	-18	\$6.40
8/6/2007	-65	-10	-62	-15	40	-18	\$6.47
8/7/2007	-65	-10	-62	-15	45	-18	\$6.48
8/8/2007	-65	-10	-62	-15	45	-18	\$6.62

8/9/2007	-65	-10	-62	-15	45	-18	\$6.60
8/10/2007	-65	-10	-62	-15	40	-18	\$6.54
8/13/2007	-65	-10	-62	-15	40	-18	\$6.55
8/14/2007	-70	-10	-62	-15	40	-18	\$6.72
8/15/2007	-70	-10	-62	-15	40	-18	\$6.58
8/16/2007	-70	-10	-62	-15	40	-18	\$6.51
8/17/2007	-70	-10	-62	-15	40	-18	\$6.50
8/20/2007	-70	-10	-62	-15	40	-18	\$6.49
8/21/2007	-70	-10	-62	-15	45	-18	\$6.55
8/22/2007	-70	-10	-62	-15	45	-18	\$6.67
8/23/2007	-70	-10	-62	-15	55	-18	\$6.74
8/24/2007	-70	-10	-62	-15	55	-18	\$6.83
8/27/2007	-70	-10	-62	-15	55	-18	\$6.81
8/28/2007	-70	-10	-62	-15	55	-18	\$6.80
8/29/2007	-70	-10	-60	-15	45	-18	\$6.95
8/30/2007	-70	-10	-59	-13	45	-10	\$7.21
8/31/2007	-70	-10	-64	-18	50	-15	\$7.21
9/4/2007	-73		-67	-21		-18	\$7.51
9/5/2007	-73		-67	-21			\$7.81
9/6/2007	-73			-20			\$7.90

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