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Richard F. Bell
President

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COMMENT

December 2, 1999

VIA FACSIMILE
202-418-5527

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RECORDS SECTION
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C.F.T.C.

TO: Mr. John Bird
Division of Economic Analysis
Commodity Futures Trading Commission
Three Lafayette Centre
21st. Street, N.W.
Washington, DC 20581

RE: Proposed Amendments to Chicago Board of Trade
Rough Rice Futures Contract—Application of Standards

Enclosed is an exhibit which illustrates the difficulty in applying heat-damaged kernels standards when grading rough rice according to the United Standards for Rice.

The exhibit includes five pages:

The first page is a copy of the grade requirements for rough rice taken from the United States Standards for Rice. It shows that the maximum limits for heat-damaged kernels identified by Federal Grain Inspection Service (FGIS) Line Slide 2.0 (the number in a 500 grams sample) is one kernel for U.S. Grade No. 1 and two kernels for a U.S. Grade No. 2. It also shows the maximum limits for red rice and damaged kernels (singly or combined) is 0.5 percent for U.S. Grade No. 1 and 1.5 percent for U.S. Grade No. 2. Stain is included as damaged kernels and recognized by FGIS by Line Slide R-2.1. Light stain as referred to by the Chicago Board of Trade (CBOT) proposed amendment is not recognized as damaged kernels by FGIS (light stain is identified by Line Slide R-2.2 in past CBOT correspondence).

The second page is also taken from the text of the United States Standards for Rice. It includes paragraph (e) which defines heat-damaged kernels and paragraph (d) which defines damaged kernels.

The third page is a copy of the table of contents of "Appendix 1. Tolerances" taken from the USDA/FGIS Rice Inspection Handbook. I have marked on the copy "Heat-Damaged Kernels – Number" which refers to table 4 on page 2 of the appendix. I also have marked "Damaged Kernels – Percentage" which refers to table 6 on page 9 of the appendix.

The fourth page is a copy of Table 4 referred to above. The fifth page is a copy of Table 6 referred to above.

These tables are based on probabilities at a 95 percent confidence level. This means that in the case of heat damage, a sample of 500 grams of rough rice that has been graded and found to have zero heat-damaged kernels and is then regraded, using the same sample, will 95 times out of 100 have from zero to 3 heat-damaged kernels. If a new sample is drawn from the same lot, 95 times out of 100 it will include zero to 5 heat-damaged kernels.

In the case of damaged-kernels, if a sample is graded and found to have 1.5 percent damaged kernels, which incidentally has been determined by the CBOT to be equivalent to 300 kernels per 500 grams of rice of <u>both</u> stained and light stained kernels, and then is regraded, using the same sample, it will 95 times out of 100 have 0.7 (equivalent 140 kernels) to 2.5 percent (equivalent 500 kernels) damaged kernels. If a new sample is drawn, 95 times out of 100 the sample will contain 0.5 (equivalent 100 kernels) to 2.7 percent (equivalent 540 kernels) damaged kernels.

I believe this exhibit illustrates the difficulty that rough rice warehouses would encounter when trying to apply the standards that the Chicago Board of Trade has proposed in amending its Rough Rice Futures Contract regarding quality specifications for deliverable rough rice.

Richard E. Bell

Richard E. Bell
President and
Chief Executive Officer

Enclosures (5)

(7)

GRADES, GRADE REQUIREMENTS, AND GRADE DESIGNATIONS

§868.210 Grades and grade requirements for the classes of Rough Rice. (See also §868.212.)

Grade	Maximum limits of—							Color requirements[4] (minimum)
	Seeds and heat-damaged kernels			Red rice and damaged kernels (singly or combined) (Percent)	Chalky kernels [1,2]		Other types [3] (Percent)	
	Total (singly or combined) (Number in 500 grams)	Heat-damaged kernels and objectionable seeds (singly or combined) (Number in 500 grams)	Heat-damaged kernels (Number in 500 grams)		In long grain rice (Percent)	In medium or short grain rice (Percent)		
U.S. No. 1	4	3	1	0.5	1.0	2.0	1.0	Shall be white or creamy.
U.S. No. 2	7	5	2	1.5	2.0	4.0	2.0	May be slightly gray.
U.S. No. 3	10	8	5	2.5	4.0	6.0	3.0	May be light gray.
U.S. No. 4	27	22	15	4.0	6.0	8.0	5.0	May be gray or slight rosy.
U.S. No. 5	37	32	25	6.0	10.0	10.0	10.0	May be dark gray or rosy.
U.S. No. 6	75	75	75	15.0[4]	15.0	15.0	10.0	May be dark gray or rosy.

U.S. Sample grade—

U.S. Sample grade shall be rough rice which: (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 6, inclusive; (b) contains more than 14.0 percent of moisture; (c) is musty, or sour, or heating; (d) has any commercially objectionable foreign odor; or (e) is otherwise of distinctly low quality.

[1]For the special grade Parboiled rough rice, see §868.212(b).

[2]For the special grade Glutinous rough rice, see §868.212(d).

[3]These limits do not apply to the class Mixed Rough Rice.

[4]Rice in grade U.S. No. 6 shall contain not more than 6.0 percent of damaged kernels.

[56 FR 55978, Oct. 31, 1991]

(2)

(4) "Mixed rough rice" shall consist of rough rice which contains more than 25 percent of whole kernels and which, after milling to a well-milled degree, contains more than 10 percent of "other types" as defined in paragraph (h) of this section.

(d) Damaged kernels. Whole or broken kernels of rice which are distinctly discolored or damaged by water, insects, heat, or any other means, and whole or large broken kernels of parboiled rice in non-parboiled rice. "Heat-damaged kernels" (see paragraph (e) of this section) shall not function as damaged kernels.

(e) Heat-damaged kernels. Whole or large broken kernels of rice which are materially discolored and damaged as a result of heating, and whole or large broken kernels of parboiled rice in nonparboiled rice which are as dark as, or darker in color than, the interpretive line for heat-damaged kernels.

(f) Milling yield. An estimate of the quantity of whole kernels and total milled rice (whole and broken kernels combined) that are produced in the milling of rough rice to a well-milled degree.

(g) Objectionable seeds. Seeds other than rice, except seeds of Echinochloa crusgalli (commonly known as barnyard grass, watergrass, and Japanese millet).

(h) Other types. (1) Whole kernels of: (i) Long grain rice in medium or short grain rice, (ii) medium grain rice in long or short grain rice, (iii) short grain rice in long or medium grain rice, and (2) Large broken kernels of long grain rice in medium or short grain rice and large broken kernels of medium or short grain rice in long grain rice.
Note: Broken kernels of medium grain rice in short grain rice and large broken kernels of short grain rice in medium grain rice shall not be considered other types.

(i) Paddy kernels. Whole or broken unhulled kernels of rice.

(j) Red rice. Whole or large broken kernels of rice on which there is an appreciable amount of red bran,

(k) Seeds. Whole or broken seeds of any plant other than rice.

(l) Smutty kernels. Whole or broken kernels of rice which are distinctly infected by smut.

(m) Types of rice. The following three types:
Long grain
Medium grain
Short grain

Types shall be based on the length 09 width ratio of kernels of rice that are unbroken and the width, thickness, and shape of kernels of rice that are broken as prescribed in FGIS instructions.

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U.S. DEPARTMENT OF AGRICULTURE
Federal Grain Inspection Service
P.O. Box 96454
Washington, D.C. 20090-6454

APPENDIX 1. TOLERANCES

TABLE OF CONTENTS

(T)

TABLE 4
(Number in 500 Grams)

Original Inspection Results	Portion of Original Sample	New Sample
0	0 - 3	0 - 5
1	0 - 5	0 - 7
2	0 - 7	0 - 9
3	0 - 9	0 - 11
4	0 - 11	0 - 13
5	1 - 12	0 - 14
6	1 - 14	0 - 16
7	2 - 15	0 - 17
8	2 - 16	0 - 18
9	3 - 18	1 - 20
10	3 - 19	1 - 21
11	4 - 20	2 - 22
12	5 - 22	3 - 24
13	5 - 23	3 - 25
14	6 - 24	4 - 26
15	7 - 26	5 - 28
16	8 - 27	6 - 29
17	8 - 28	6 - 30
18	9 - 29	7 - 31
19	10 - 31	8 - 33
20	11 - 32	9 - 34
21	11 - 33	9 - 35
22	12 - 35	10 - 37
23	13 - 36	11 - 38
24	14 - 37	12 - 39
25	14 - 38	12 - 40
26	15 - 39	13 - 41
27	16 - 41	14 - 43
28	17 - 42	15 - 44
29	18 - 43	16 - 45
30	18 - 44	16 - 46
31	19 - 46	17 - 48
32	20 - 47	18 - 49
33	21 - 48	19 - 50
34	22 - 49	19 - 51
35	22 - 50	20 - 52
36	23 - 52	21 - 53
37	24 - 53	22 - 54
38	25 - 54	23 - 56
39	26 - 55	24 - 57
40	26 - 56	24 - 58

(5)

TABLE 6
(Percent ±)

Original Inspection Results	Portion of Original Sample	New Sample
0.0	0.0 - 0.3	0.0 - 0.5
0.1	0.0 - 0.5	0.0 - 0.7
0.2	0.0 - 0.7	0.0 - 0.9
0.3	0.0 - 0.9	0.0 - 1.1
0.4	0.0 - 1.0	0.0 - 1.2
0.5	0.1 - 1.2	0.0 - 1.4
0.6	0.1 - 1.3	0.0 - 1.5
0.7	0.2 - 1.5	0.0 - 1.7
0.8	0.2 - 1.6	0.0 - 1.8
0.9	0.3 - 1.7	0.1 - 1.9
1.0	0.4 - 1.9	0.2 - 2.1
1.1	0.4 - 2.0	0.2 - 2.2
1.2	0.5 - 2.1	0.3 - 2.3
1.3	0.6 - 2.2	0.4 - 2.4
1.4	0.7 - 2.4	0.5 - 2.6
1.5	0.7 - 2.5	0.5 - 2.7
1.6	0.8 - 2.6	0.6 - 2.8
1.7	0.9 - 2.7	0.7 - 2.9
1.8	1.0 - 2.9	0.8 - 3.1
1.9	1.0 - 3.0	0.8 - 3.2
2.0	1.1 - 3.1	0.9 - 3.3
2.1	1.2 - 3.2	1.0 - 3.4
2.2	1.3 - 3.4	1.1 - 3.6
2.3	1.3 - 3.5	1.1 - 3.7
2.4	1.4 - 3.6	1.2 - 3.8
2.5	1.5 - 3.7	1.3 - 3.9
2.6	1.6 - 3.8	1.4 - 4.0
2.7	1.7 - 4.0	1.5 - 4.2
2.8	1.7 - 4.1	1.5 - 4.3
2.9	1.8 - 4.2	1.6 - 4.4
3.0	1.9 - 4.3	1.7 - 4.5
3.1	2.0 - 4.4	1.8 - 4.6
3.2	2.1 - 4.5	1.9 - 4.7
3.3	2.1 - 4.7	1.9 - 4.9
3.4	2.2 - 4.8	2.0 - 5.0
3.5	2.3 - 4.9	2.1 - 5.1

END