

February 10, 2017

Seed SEF
660 West Lake Street
Chicago, IL
60661

VIA E-MAIL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Listing of New Financially Settled US Agricultural Swaps and Options Contracts Pursuant to Section 5c(c)(1) of the Act and Regulation 40.2

Dear Secretary Kirkpatrick:

Seed SEF ("Seed" or the "SEF") is notifying the Commodity Futures Trading Commission ("CFTC" or the "Commission") that it will certify the listing of financially-settled Persian Lime swap and option contracts for electronic trading on Seed SEF.

FORWARD CONTRACT SPECIFICATION SUMMARY

- **Contract Name:** Persian Lime
- **Product Type:** Swap
- **Code:** LIMED
- **Rule Chapter:** See Appendix A
- **Contract Size:** 10,000 pounds
- **Minimum Price Fluctuation:** \$0.0005 per pound (\$5.00 per contract)
- **Settlement:** Financially Settled
- **First Contract Listed:** May 2017
- **Last Trading Day:** Business Day preceding 20th calendar day of the contract month
- **Trading Hours:** 8:30 am to 1:30 pm CST

OPTIONS CONTRACT SPECIFICATION SUMMARY

- **Contract Name:** Persian Lime
- **Product Type:** Option
- **Code:** LIMEO
- **Rule Chapter:** See Appendix B
- **Contract Size:** 10,000 pounds
- **Minimum Price Fluctuation:** \$0.0005 per pound (\$5.00 per contract)
- **Strike Price Interval:** \$0.001 per pound
- **Settlement:** Financially Settled
- **First Contract Listed:** May 2017
- **Last Trading Day:** Business Day preceding 20th calendar day of the contract month
- **Trading Hours:** 8:30 am to 1:30 pm CST

Persian Limes are part of the citrus fruit family and are the most prevalent variety of lime. Persian Limes are available year-round and are principally utilized in a variety of cultural cuisines. The US lime market has seen substantial growth in recent years and in 2016 had a total import value of \$376 million. The US Persian Lime deliverable supply consists primarily of imports from Mexico, totaling 1.2 billion pounds in 2016, producing a 10% increase from 2015. In addition, descriptive statistics reveal that Persian Limes possess the greatest price volatility of the citrus market and cannot be effectively hedged with Frozen Concentrate Orange Juice (FCOJ).

Seed SEF staff identified the following areas may have some bearing on the new products being certified:

- **Prevention of Market Disruption:** Trading in these swap and option contracts will be subject to the Seed SEF Rules ("Rulebook") Chapters 4 and 7, which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on Seed SEF, activity in the product will be subject to extensive monitoring and surveillance by Seed.
- **Contracts not Readily Subject to Manipulation:** The new swap and option contracts are not readily subject to manipulation due to the impartiality and nature of the data underlying the settlement value, the liquidity in the underlying cash market, and the construction methods of the final settlement value as described in Appendix E.

- **Compliance with Rules:** Trading in these swap and option contracts will be subject to the rules in Rulebook Chapter 7 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Seed has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Availability of General Information:** Seed SEF will publish information on the swap and option contracts' specification on its website (as well as other trading products available on its trading platform), in accordance with CFTC regulation.
- **Trade Information:** All required trade information is included in the audit trail and is adequate for Seed to monitor for market abuse.
- **Disciplinary Procedures:** Chapter 9 of the Rulebook contains provisions that allow the SEF to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and Seed has the authority to exercise its enforcement power in the event of rule violations in this product are identified.
- **Dispute Resolution:** Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 10 of the Rulebook. Chapter 10 allows all participants to submit a claim for financial losses resulting from transactions on the SEF to arbitration. A participant named as a respondent in a claim submitted by a participant is required to participate in the arbitration pursuant to Chapter 10. Additionally, the SEF requires that members resolve all disputes concerning transactions on the SEF via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), Seed SEF hereby certifies that the attached swap and option contracts comply with the Act, including regulations under the Act. A description of the cash market for these new products is attached. (See Appendix D: Cash Market Overview and Analysis of Deliverable Supply)

Seed SEF certifies that these swap and option contract terms and conditions comply with the CEA and regulations thereunder. Seed SEF certifies that this submission has been concurrently posted on the SEF's website at <http://seedcx.com/trading/seed-sef/regulations/rulebook/chapter-1>. Seed SEF is not aware of any substantive opposing views to this proposal.

If you require any additional information regarding this action, please contact me at (855) 744-7333 ext. 122, or via e-mail at edward@seedcx.com.

Sincerely,



Edward Woodford
Chief Executive Officer

Appendix A: Chapter 21 – Persian Lime Swaps

Rule 2101. Scope

This chapter is limited in application to financially-settled Persian Lime swaps. In addition to this chapter, Persian Lime swaps shall be subject to the general rules and regulations of the SEF as applicable.

Rule 2102. Contract Specifications

(a) **Contract Size**

Each swap contract shall be valued at 10,000 pounds of Persian Limes multiplied by the Seed Persian Lime Index™, or settlement price.

(b) **Minimum Price Fluctuation**

Minimum price fluctuations shall be in multiples of \$0.0005 per pound (\$5.00 per contract).

(c) **Months Traded**

Seed SEF contracts will always have trading available for the months of January, March, May, July, August, September and November, as well as the nearest three consecutive calendar months.

(d) **Trading Hours**

Trading shall take place between 8:30 am to 1:30 pm CST during Business Days.

(e) **Last Trading Day**

All contracts cease trading the Business Day prior to the twentieth (20th) calendar day of the contract month.

Rule 2103. Grades

Persian Limes underlying the contract must meet U.S. grade No. 2 as defined by the United States Department of Agriculture.

Rule 2104. Settlement Procedure

(a) There shall be no delivery of Persian Lime in settlement of this contract. All contracts open as of the termination of trading shall be financially-settled based upon the Seed Persian Lime Index™ for the two-day period ending on the day on which trading terminates.

(b) Temporary Settlement Calculation for Expiring Contract

(i) Seed determines the temporary settlement for the expiring Persian Lime swap contract based on trading activity on Seed SEF between 12:30:00 and 1:30:00 Central Standard Time (CST) – the last hour of the contract's life.

(A) The expiring contract's temporary final settlement is its volume-weighted average price (VWAP) of all trades that occur between 12:30:00 pm and 1:30:00 pm CST on the day of expiration, rounded to the nearest tradable tick. If the VWAP is equidistant between two ticks, then it's rounded to the nearest tradable tick that is closer to the prior-day's settlement price.

(B) In the absence of any trade activity in the expiring contract between 12:30 pm and 1:30 pm CST, the bid price that is higher than the last trade or prior day's settlement price, or the ask price that is lower than the last trade or prior day's settlement price, from 12:30 pm and 1:30 pm CST will determine the temporary final settlement price for that contract month.

(C) If there is no market activity, the contract's temporary settlement will be the prior-day settlement price.

(c) Final Settlement

(i) Final settlement will be to the Seed Persian Lime Index™.

(ii) Final settlement is released two Business Days after trading in the expiring contract month terminates at which points any adjustments between the temporary settlement price and final settlement price will be made.

(iii) Sample: the sample consists shipping point pricing as recorded by the USDA Agricultural Marketing Service.

(iv) Calculation: the procedure for calculating the Seed Persian Lime Index™ is as follows:

- (A) The daily Mostly Low and Mostly High price points for size 110s, 150s, 175s, 200s, 225s and 250s non-organic seedless Persian Limes in 40 pound cartons are averaged together.
- (B) If Mostly Low and Mostly High are not recorded, the Low Price and High Price are utilized instead.
- (C) The resulting prices are then averaged across all sizes.
- (D) The resulting average daily price represents the Seed Persian Lime Index™ value for that particular day.
- (E) The Seed Persian Lime Index™ for the two-day period ending on the day on which trading terminates are then averaged together to obtain the final settlement price.

Appendix B: Chapter 21A – Persian Lime Options

Rule 21A01. Scope

This chapter is limited in application to financially-settled Persian Lime options. In addition to this chapter, Persian Lime options shall be subject to the general rules and regulations of the SEF, as applicable.

Rule 21A02. Contract Specifications

(a) Contract Size

- (i) Each trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one financially-settled Persian Lime swap contract as specified in Chapter 21.
- (ii) The underlying swap contract is the swap contract for the month in which the option expires. For example, the underlying swap contract for an option that expires in July is the July swap contract.

(b) Minimum Price Fluctuation

Minimum price fluctuations shall be in multiples of \$0.0005 per pound (\$5.00 per contract).

(c) Months Traded

Seed SEF contracts will always have trading available for the months of January, March, May, July, August, September and November, as well as the nearest three consecutive calendar months.

(d) Trading Hours

Trading shall take place between 8:30 am to 1:30 pm CST.

(e) Last Trading Day

All commodity options expire at 12:00 pm CST on the Business Day following the last trading day. All contracts cease trading the Business Day prior to the twentieth (20th) calendar day of the contract month.

(f) Strike Price

- (i) The strike price shall be stated in terms of cents per pound.
- (ii) For all contract months, strike price shall be at intervals of one-tenth (1/10) of one cent per pound; e.g., 10 cents, 12 cents, etc.
 - (A) At the commencement of option trading in a contract month, the SEF shall list put and call options in a range within 25 percent above and below the strike closest to the previous day's settlement price of the underlying futures contract (the at-the-money strike). If the previous day's settlement price is midway between two strikes, the at-the-money strike shall be the larger of the two. All strikes will be listed prior to the opening of trading on the following Business Day.
 - (B) New strikes may be listed for trading up to and including the termination of trading. The SEF may modify the provisions governing the establishment of exercise prices as it deems appropriate. The SEF may modify the procedure for the introduction of strike prices as it deems appropriate in order to respond to market conditions.

Rule 21A03. Exercise of Options

- (a) The buyer of a Persian Lime option may exercise the option on any Business Day prior to expiration by giving notice of exercise to Seed SEF by 6:00 pm CST, or by such other time designated by the SEF, on such day.
- (b) After the close on the last day of trading, all in-the-money options shall be automatically exercised unless notice to cancel automatic exercise is given to Seed SEF. Notice to cancel automatic exercise shall be given to Seed SEF by 6:00 pm CST, or by such other time designated by the SEF, on the last day of trading.
- (c) Unexercised Persian Lime options shall expire at 12:00 pm CST on the Business Day following the last trading day.

Appendix C: Contract Specifications

Forward Contract Specifications

Contract Unit	10,000 pounds
Price Quotation	Cents per pound
Listed Contracts	January(F), March (H), May (K), July (N), September (U), November (X) & December (Z)
Trading Hours	CLOB: Monday to Friday, 8:30 am to 1:30 pm Central Standard Time Block Trade: Monday to Friday, 8:30 am to 2:00 pm Central Standard Time
Minimum Price Fluctuation	\$0.0005 per pound (\$5.00 per contract)
Termination of Trading	Business Day preceding the twentieth calendar day of the delivery month
Settlement Method	Financially Settled
Settlement Procedures	Refer to Seed SEF Settlement Procedures in the Seed SEF Rules
Exchange Rulebook	Seed SEF Rules
Product Code	LIMED

Option Contract Specifications

Contract Unit	One Persian Lime swap contract (of a specified month) of 10,000 pounds
Price Quotation	Cents per pound
Listed Series	January(F), March (H), May (K), July (N), August (Q), September (U), & November (X), as well as the nearest three consecutive calendar months
Trading Hours	CLOB: Monday to Friday, 8:30 am to 1:30 pm Central Standard Time Block Trade: Monday to Friday, 8:30 am to 2:00 pm Central Standard Time
Minimum Price Fluctuation	\$0.0005 per pound (\$5.00 per contract)
Termination of Trading	Business Day preceding the twentieth calendar day of the delivery month.
Settlement Method	Financially settled
Settlement Procedures	Refer to Seed SEF Settlement Procedures in the Seed SEF Rules
Exchange Rulebook	Seed SEF Rules
Product Code	LIMEO
Strike Price Interval	\$0.001 per pound

Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Cash Market Overview

Supply and demand for limes in the United States has been steadily increasing over the last decade. In 2014, the US lime consumption per capita reached 4.02 pounds, showing a 1% increase from 2013 and a 62% increase from 2000.¹ Limes are consumed either fresh or in the form of juice. While a variety of limes exist, the most traded is the Persian Lime due to its large size favored by United States consumers, as well as its storability and year-round availability. As a result of these characteristics, the Persian Lime has become the most popular variety on retail shelves in the United States.

Domestic lime production is near zero due to strict weather requirements. Supply from imports, particularly from Mexico, comprise around 98% of the available supply within the United States. Imports has seen growth over the last decade (6% CAGR). Entering the US market, imported limes are sold to juicers, wholesalers, terminal markets, distributors or repackers.²

Industry growth has fueled convergence to certain packaging and sizing standards. While a variety of packaging and shipping standards are available, Persian Limes are normally transported via 40 pound cartons³. Persian Limes are also available in a variety of sizes (110s, 150s, 175s, 200s, 225s, 250s) with the value corresponding to the number of limes that fit in a typical 40-pound carton.

Additionally, the USDA has established grading mechanisms for the lime industry as whole in the United States Standards for Grades of Persian Limes which defines the two major grades of Persian Limes: No.1 and No. 2. Importation laws require that Persian Limes meet at least grade No. 2.

Deliverable Supply Analysis

Assuming that limes possess equivalent contracting as the rest of the fresh fruits industry, an approximate of the deliverable supply can be derived. Fresh fruits typically exhibit a contracting rate of around 60% with the remainder existing on the cash market (USDA).⁴

As there is nearly no domestic production, the amount of Persian Lime supply is equal to the import number. Monthly import figures on Persian Limes are regularly recorded by the United States International Trade Commission (USITC) and made readily available through its Trade Dataweb⁵. Table 1 provides an overview of Persian Lime imports (HS Code: 0805503000⁶). 60% are contracted.

Year	Deliverable Supply	
	Imports (lbs)	(60% forward contract) (lbs)
2007	672,260,575	268,904,230
2008	707,483,729	282,993,492
2009	736,018,046	294,407,219
2010	691,713,242	276,685,297
2011	731,214,594	292,485,837
2012	864,835,073	345,934,029
2013	915,126,349	366,050,539
2014	908,060,844	363,224,337
2015	1,064,147,803	425,659,121
2016	1,163,172,199	465,268,880

¹ USDA ERS Food Availability (Per Capita) Data System (FADS).

² Jessica Anaid Cancino Velasquez, 'An evaluation of trade practices and export distribution channels in the United States from the perspective of fresh Persian Lime producers in the Cuicahuac region of Veracruz', Mexico, D.F. Oct 3,4, 2012.

³ Jessica Anaid Cancino Velasquez, 'An evaluation of trade practices and export distribution channels in the United States from the perspective of fresh Persian Lime producers in the Cuicahuac region of Veracruz', Mexico, D.F. Oct 3,4, 2012.

⁴ 'Contracts, Markets, and Prices: Organizing the Production and Use of Agricultural Commodities' USDA ERS Agricultural Economic Report No. (AER-837) 81 pp, November 2004.

⁵ The USITC Interactive Tariff and Trade DataWeb provides U.S. international trade statistics and U.S. tariff data to the public full-time and free of charge. All trade data are compiled from official data retrieved from the U.S. Bureau of the Census (an agency within the U.S. Department of Commerce). International trade data are available for years 1989- present on a monthly, quarterly, annual, or year-to-date basis and can be retrieved in a number of classification systems, including the Harmonized Tariff Schedule (HTS), the Standard International Trade Classification (SITC), or the North American Industry Classification System (NAICS). <https://dataweb.usitc.gov/> accessed 11/9/2016.

⁶ The Harmonized System (HS) codes are developed by the World Customs Organization (WCO), the codes are used to classify and define internationally traded goods. HS 6-digit codes are for universal reference, whereas 7-10 digit codes are often unique after the 6th digit and determined by individual countries of import. These figures are recorded as kilograms which were then converted to pounds (1 kilogram=2.20462 pounds).

Although 2016 importation data has yet to be recorded, the estimated total supply of Persian Limes is at 1.2 billion pounds, assuming a 10% increase from 2015. Estimated volume for 2016 imports translates to 12,000 contracts considering 10,000 pounds per contract.

Appendix E: Seed Persian Lime Index Methodology

Overview

The purpose of this index is to create a settlement mechanism for the Persian Lime contract. A comprehensive analysis of the underlying cash market for lime was undertaken to identify the key characteristics and features to be included in the index in order to best reflect the US market.

Data

Lime pricing data was obtained through the United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS)⁷ Market News portal⁸. Daily shipping point pricing data reported by AMS was utilized in construction of the index. Shipping point data provides the first-handler market information on fruits and vegetables, with reports issued daily. Prices reported at shipping points are those received by wholesalers, retailer and food services that is of good merchantable quality and condition, unless otherwise described.

Pricing data is gathered through confidential telephone and face-to-face interviews carried out by skilled market reporters employed jointly by the U.S. Department of Agriculture and State agencies. Reports are impartial, current, and reliable. They are disseminated free of charge by satellite, newspapers, radio, television, and Internet sources and are available on a subscription basis in printed reports by facsimile machine. Nearly 400 different reports are issued daily, weekly, monthly, or annually to assist industry members in making marketing decisions.

Shipping point pricing data is obtained by trained, professional USDA reporters through phone interviews with market participants at all shipping points in the United States.

Variety - Prices reported by AMS record prices for one variety of lime- Seedless Persian Lime.

Type - Prices reported by AMS also include both organic and conventional Persian Limes. However, organic prices are excluded as the only represent less than 5% of the market.

Size - A variety of Persian Limes (110s, 150s, 175s, 200s, 225s, 250s) are reported by the AMS, with the number corresponding to the number of a particular size that can fit in a 40 pound carton. Sizes 110s, 150s, 175s, 200s, 225, 250s were included as they represent 99% of Persian Lime observations and constitute the most popular sizes within the retail market.

Package – Persian Lime prices are recorded for a variety of packages. However, only prices for product in 40 pound cartons are utilized and represents near 90% of Persian Lime observations.

Additionally, weekend and holiday prices are not recorded, Friday and Monday are considered consecutive days as well as the day before and after certain holidays.

Seed does not specify a minimum amount of transaction data, or a transaction data threshold, for the publication of its Seed Persian Lime Index™ for a particular day. Physical commodity markets vary in liquidity. Any particular market analyzed on its own will typically demonstrate rising and falling levels of transactional activity through time. Seed is committed to providing an assessment of value for every market that it covers, equally well in times of heightened or reduced liquidity.

Methodology

The Seed Persian Lime Index™ is calculated as the average of the shipping point prices for the given variety, type, sizes, and packaging of limes, which is constructed based upon the Shipping Point Reports reported by the Agricultural Marketing Service of the USDA (USDA-AMS). These reported prices represent open (spot) market sales by first handlers on product of generally good quality and condition unless otherwise stated.⁹

The reports include spot prices at shipping points for limes from Mexico crossing through Texas. Lime pricing data at other shipping points outside Texas has not yet been reported as most lime imports are crossing through Texas. Table 2 shows an overview of the percentage of monthly movement from Mexico crossing through TX, accounting for 82% to 91% of the total lime movement, which indicates the pricing report can be used as a reliable source for constructing the Seed Persian Lime index™. Lime movement data

⁷ The Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

⁸ For 100 years, AMS has provided free, unbiased price and sales information to assist in the marketing and distribution of farm commodities. Each year, Market News issues thousands of reports, providing the industry with key wholesale, retail and shipping data. <https://www.ams.usda.gov/market-news>

⁹ <https://www.ams.usda.gov/mnreports/fvdfob.pdf>

was obtained through the United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS)¹⁰ Market News¹¹ portal.

Table 2: Persian Lime Movement Volume Analysis				
Year	Month	All Districts Movement (10,000 lbs)	Mexico Crossing Through TX (10,000 lbs)	Percentage
2014	Jan	7,311	6,423	88%
	Feb	4,738	4,146	88%
	Mar	4,242	3,866	91%
	Apr	3,804	3,471	91%
	May	6,011	5,484	91%
	Jun	8,402	7,574	90%
	Jul	9,094	8,114	89%
	Aug	8,999	7,990	89%
	Sep	7,849	6,872	88%
	Oct	7,754	6,721	87%
	Nov	6,534	5,662	87%
	Dec	6,488	5,596	86%
2015	Jan	7,829	6,697	86%
	Feb	5,625	4,815	86%
	Mar	6,673	5,681	85%
	Apr	6,412	5,537	86%
	May	8,587	7,512	87%
	Jun	9,469	7,961	84%
	Jul	9,295	7,825	84%
	Aug	9,913	8,148	82%
	Sep	7,976	6,782	85%
	Oct	8,104	7,031	87%
	Nov	7,989	6,915	87%
	Dec	7,355	6,269	85%
2016	Jan	10,827	9,780	90%
	Feb	8,029	7,170	89%
	Mar	6,579	5,739	87%
	Apr	6,792	5,952	88%
	May	7,543	6,720	89%
	Jun	10,302	9,203	89%
	Jul	9,136	8,139	89%
	Aug	9,567	8,306	87%
	Sep	9,705	8,535	88%
	Oct	9,620	8,386	87%
	Nov	8,782	7,241	82%
	Dec	8,076	6,895	85%
2017	Jan	8,346	7,387	89%

Persian Limes are seedless type of limes. They are collected in wooden field boxes and conveyed by truck to packers mostly in 40-lb cartons for shipment. Additionally, Persian Limes come in 6 common sizes (110s, 150s, 175s, 200s, 225, 250s). However, sizes are not weighted for the construction of the index because through interviews with industry participants and price analysis, it shows there is no size of lime is preferred by the market, therefore there is no fixed premium/discount for the size of Persian Lime. As such, the Seed Persian Lime Index™ is calculated as the average of the shipping point prices of 40-lb cartons of all sizes of seedless type

¹⁰ The Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

¹¹ For 100 years, AMS has provided free, unbiased price and sales information to assist in the marketing and distribution of farm commodities. Each year, Market News issues thousands of reports, providing the industry with key wholesale, retail and shipping data. <https://www.ams.usda.gov/market-news>

of limes. Additionally, the Seed Persian Lime Index™ is not weighted based on different locations as the pricing data used to construct the index are only reported for limes at the shipping points from Mexico crossing through Texas.

Pricing observations reported by the AMS features a “Mostly Low” and “Mostly High” price, which indicates the range of prices that a majority of the products sold that day. In order to calculate a single price for an individual observation the mean between these two prices is calculated according to equation (1)

$$P_{st} = \frac{P_{st}^{MH} + P_{st}^{ML}}{2} \quad (1)$$

With P_{st}^{MH} representing the Mostly High price for size s at time t and P_{st}^{ML} representing the Mostly Low price for size s at time t .

If the Mostly Low and Mostly High prices are absent, the “Low Price” and “High Price” will instead be utilized. These prices record the absolute range of prices for an observation. In order to calculate a single price for an individual observation the mean between these two prices is calculate according to equation (2)

$$P_{st} = \frac{P_{st}^{HP} + P_{st}^{LP}}{2} \quad (2)$$

With P_{st}^{HP} representing the High Price for size s at and time t and P_{st}^{LP} representing the Low Price for size s at time t .

Once a single price for an individual observation is calculated, prices for each size are averaged across location per equation (3)

$$P_t = \frac{\sum_{s=1}^S P_{st}}{S} \quad (3)$$

With S representing the number of sizes recording at time t .

Finally, this daily price is divided by 40 represent the price per pound for Persian Lime.

This final price represents the index value for the day.

If no Shipping Point pricing data are recorded for a given day, the index value for that day will be determined by the average between the two previous days in which prices were recorded and the two following days in which prices are recorded.

Manipulation

The Seed Persian Lime Index™ is not subject to manipulation due to the impartial manner in which the underlying data is collected by USDA AMS, the nature of the market, and the methodologies of the index itself.

The data collection process at shipping points employed by AMS, and described above, helps eliminate opportunities for manipulation by utilizing multiple interviews on a daily basis as well as a system of checks and balances to ensure the reliability of the reported prices. Additionally, expert judgement by professional reporters are designed to detect the presence of any unreliable data points. Data provided by AMS is utilized in several other financially settled agricultural contracts, including the Chicago Mercantile Exchange’s (CME) Lean Hog Futures¹² and Feeder Cattle Futures¹³. As such, pricing data reported by USDA AMS provides an unbiased and reliable source for the data underlying the index.

The nature of the market, particularly at the level in which prices are recorded, helps eliminate opportunities for manipulation. Prices are recorded spot market at the first-handler level which feature an array of wholesaler, retailers and food service. As such the data is drawn from a diverse, large, and liquid market which helps reduce chances of manipulation.

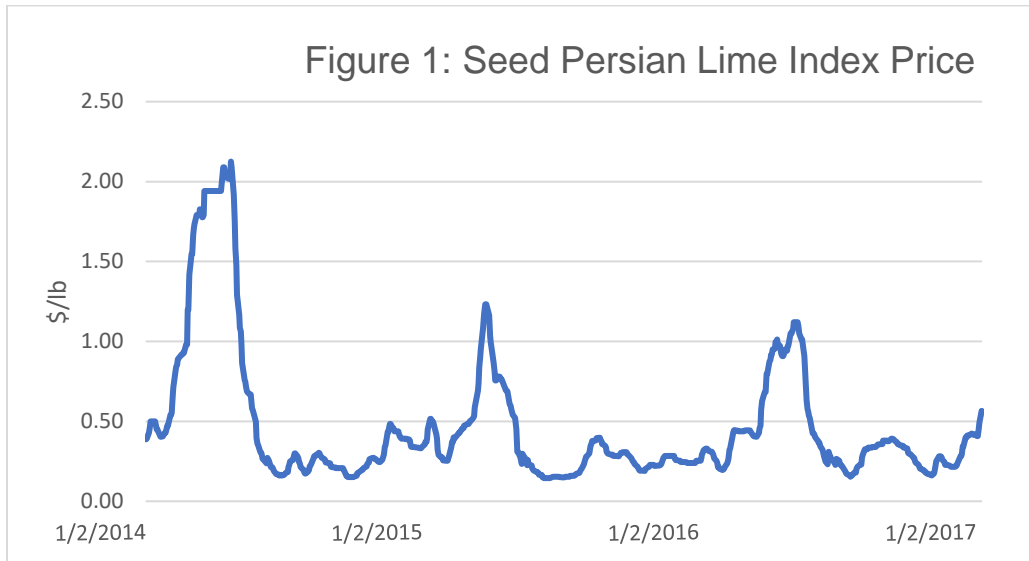
¹² <http://www.cmegroup.com/rulebook/CME/II/150/152/152.pdf>

¹³ <http://www.cmegroup.com/rulebook/CME/II/100/102/102.pdf>

Additionally, as the proprietor of the Seed Persian Lime Index™, employees at Seed are prohibited from taking position in the markets it serves in accordance to SEF Rule 216 of the SEF Compliance Manual (Section V.A. Conflicts of Interest and B. Personal Trading Policy) and thus have no financial incentive to distort or manipulate the index.

Result

Figure 1 provides a historical overview of the Seed Persian Lime Index™ price from 2014-2016.



The Seed Persian Lime Index™ fully reflects the economic and commercial conditions faced in the cash market as it encompasses the most prevalent variety, sizes, and packaging conditions in the cash market. The final index value reflects the average price faced by wholesalers and retailers for the typical size and packaging of Persian Limes around the country and can be used as a benchmark for basis pricing.