SUBMISSION COVER SHEET

***IMPORTANT*: Check box if Confidential Treatment is requested** ☐

Registered Entity Identifier Code (optional): <u>17-288</u>

Organization: <u>The Board of Trade of the City of Chicago, Inc. ("CBOT")</u>

Filing as a: ☒ **DCM** ☐ **SEF** ☐ **DCO** ☐ **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>August 17, 2017</u> Filing Description: <u>Amendments to the Corn and Mini-sized Corn Futures Contracts to Expand the Delivery Territory and Resume Normal Listing Schedule</u>

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

☐	Certification	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Notification	§ 40.6(d)
☐	Advance Notice of SIDCO Rule Change	§ 40.10(a)
☐	SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers:

New Product **Please note only ONE product per Submission.**

☐	Certification	§ 40.2(a)
☐	Certification Security Futures	§ 41.23(a)
☐	Certification Swap Class	§ 40.2(d)
☐	Approval	§ 40.3(a)
☐	Approval Security Futures	§ 41.23(b)
☐	Novel Derivative Product Notification	§ 40.12(a)
☐	Swap Submission	§ 39.5

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

☐	Certification	§ 40.6(a)
☐	Certification Made Available to Trade Determination	§ 40.6(a)
☐	Certification Security Futures	§ 41.24(a)
☐	Delisting (No Open Interest)	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Approval Made Available to Trade Determination	§ 40.5(a)
☐	Approval Security Futures	§ 41.24(c)
☒	Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
☐	"Non-Material Agricultural Rule Change"	§ 40.4(b)(5)
☐	Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected: <u>See filing.</u>

Rule Numbers: <u>See filing.</u>

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

August 17, 2017

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.4(a)/40.5(a) Approval: Amendments to the Corn and Mini-sized Corn Futures Contracts to Expand the Delivery Territory and Resume Normal Listing Schedule.
CBOT Submission No. 17-288

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. ("CBOT" or the "Exchange"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.5(a), hereby notifies the Commission that it seeks approval regarding amendments to the Corn futures (CBOT Rulebook Chapter: 10; Commodity Code: C) and Mini-sized Corn futures (CBOT Rulebook Chapter: 10B; Commodity Code: YC) contracts (the "Contracts") to expand the delivery territory to include the Havana-Grafton Shipping District and the St. Louis-East St. Louis and Alton Switching District, and resume the normal listing schedule of the Contracts (collectively, the "Rule Amendments") effective on Sunday, October 8, 2017 for trade date Monday, October 9, 2017 and commencing with the March 2019 contract month and beyond.

The Exchange recently conducted a Corn contract review and feedback indicated that a significant amount of northern corn that used to be bid to the river currently goes into ethanol production. Currently, more corn enters the export channel from the southern part of the river as compared with the traditional northern points. As a result, the southern part of the river has become more important to the export market. The review also highlighted that the current northern delivery is highly concentrated, with shipping stations owned by the top four firms accounting for over 85% of total corn delivery capacity. The expansion of the delivery territory will reduce delivery concentration and offset the loss of deliverable supply in the northern part of the river. This proposal has strong industry support. A market survey conducted by the Exchange early this year had over 90% of the respondents supporting this expansion.

The Rule Amendments shall apply to contract months with open interest, which will be the March 2019 contract month and beyond. Even though the amendments will apply to contracts with open interest, the Exchange feels confident that it will not materially impact the value of existing positions. The 2018/2019 corn crop year, which will be captured with the March 2019 expiration, has not been planted and will not be planted until next spring. Additionally, barge freight rates, which could affect the cheapest to deliver location, are far from being determined. Given unknown crop size and unknown transportation costs, any effects a larger delivery territory might have on price are currently unknown and almost certainly not priced into any open contract and not likely to be priced until the market can make some educated expectations. This inability to effectively assess such detail in price likely shows up in open interest data. As of August 15, 2017, the Contracts have open interest of 1,390,457 contracts, of which only 4,069 (or approximately 3/10ths of one percent of total open interest) is in the March 2019 contract month and beyond. Market participants do not intensively trade crop years far from planting because of the lack of clarity in making detailed assessments in price of a crop from planting in the distant future. To validate this point, the Exchange reached out to market participants, none of whom voiced substantive opposition to the earlier implementation date.

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The Exchange intends that March 2019 also be the initial contract month of which the new locational differential shall apply to the Contracts. Pursuant to the CFTC filing 15-485 dated November 13, 2015, the new locational differentials will be effective with the January 2019 Soybean contract month and the March 2019 contract month for the Contracts. In addition, the new locational differential will be the same for both Soybean Futures and the Contracts for all existing delivery facilities. The expansion of delivery territory for the Contracts' will align the delivery territory with that of the Exchange's Soybean futures contract. As a result, twenty (20) delivery facilities, which are currently regular for delivery against the Exchange's Soybean futures contract, can potentially become regular for delivery against the Contracts (pending the required application with and approval from the Exchange). As such, the Contracts and the Soybean futures contract can potentially have the same locational differentials. Appendix A provides a list of CBOT Soybean futures contract delivery facilities which potentially may become delivery facilities for the Contracts as a result of the Rule Amendments. Appendix C, which is also applicable to the Exchange's Soybean futures contract, describes the Exchange's methodology regarding the derivation of new locational differentials for existing and potential delivery facilities.

As a result of resuming the normal listing schedule of the Contracts, the Exchange will list the July 2020 and December 2020 contract months which were previously suspended (refer to the CFTC filing 16-490 dated November 21, 2016). All other contract months that are not currently listed shall be listed in accordance with the normal listing schedule. Pursuant to the normal listing schedule, July and December contract months are listed on the day following the expiration of the fourth previous December contract month; March, May, and September contract months are listed on the day following the expiration of the third previous December contract month.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA") and identified that the proposed changes may impact the following Core Principles:

- Prevention of Market Disruption – The Rule Amendments will not affect the Exchanges' monitoring and surveillance. As with all products listed for trading on one of CME Group's designated contract markets, activity will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- Position Limitations or Accountability – The Rule Amendments have the potential to increase the deliverable supply of corn. Nonetheless, position limits for the Corn futures contract are set by the CFTC and therefore the Rule Amendments will not have an impact on position limits.
- Execution of Transactions - The Rule Amendments will not impact the Exchange's order execution, which will continue as before.
- Availability of General Information – The Exchange will publish information on the Contracts' specification on its website. The Exchange is issuing a Special Executive Report (SER). The SER will be posted on the website and the Rule Amendments will be made on the online rulebook on a timely basis.
- Daily Publication of Trading Information – The Exchange will report in a manner consistent with how activity is currently reported for all relevant information on newly listed contract expirations.
- Trade Information – All required trade information will continue to be collected and included in the audit trail sufficient for Market Regulation Department to monitor for market abuse.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(a) and 40.5(a), the Exchange seeks approval and hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. The Exchange certifies that this submission has been concurrently posted on the CME Group website at http://www.cmegroup.com/market-regulation/rule-filings.html. The vast majority of market participants support this proposal. Few market participants opined that Illinois and Mississippi River barge freights are not interchangeable. However, those market participants also believe the market will adjust to accommodate the different barge freight rates. The Exchange considered all views of market participants and determined that the opposing views expressed to the Exchange with regard to this initiative were not substantive in nature.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:	Appendix A:	CBOT Soybean Futures Contract Delivery Facilities Which Potentially May Become Corn Delivery Facilities as a result of the Rule Amendments
	Appendix B:	CBOT Rulebook Chapters (blackline format)
	Appendix C:	CBOT Methodology to Derive the New Locational Differentials

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Appendix A

CBOT Soybean Futures Contract Delivery Facilities Which Potentially May Become Corn Futures Facilities as a result of the Rule Amendments

CCL Code	Firm	Location	Mile Marker	Approved Capacity (bu)	Daily Loading Rate (bu/day)	Max. Certs	Location Differential (cents/bu)
1755	Cargill, Inc.	Havana-N, IL	119.9L	325,000	110,000	440	10.25
1762	Cargill, Inc.	Havana-S, IL	119.8L	738,000	110,000	440	10.25
1742	ADM Grain Company	Havana-N, IL	119.6L	2,846,000	55,000	220	10.25
1743	ADM Grain Company	Havana-S, IL	119.3L	178,000	110,000	440	10.25
1763	Cargill, Inc.	Beardstown, IL	88.1L	439,000	110,000	440	10.25
1744	ADM Grain Company	Beardstown, IL	91.0R	2,757,000	55,000	220	10.25
1756	Cargill, Inc.	Meredosia, IL	71.3L	962,000	110,000	440	10.25
1745	ADM Grain Company	Naples, IL	66.1L	310,000	55,000	220	10.25
1706	Zen-Noh Grain Corp.	Naples, IL	65L	THROUGH PUT	55,000	220	10.25
1704	Consolidated Grain and Barge Co.	Naples, IL	65L	6,247,000	55,000	220	10.25
1757	Cargill, Inc.	Florence, IL	55.3R	1,855,000	110,000	440	10.25
1768	CHS, Inc.	Beardstown, IL	88.4	THROUGH PUT	55,000	220	10.25
1769	CHS, Inc.	Havana, Il	119.0	1,185,000	55,000	220	10.25
1767	CHS, Inc.	St. Louis, MO	UM 181.4	THROUGH PUT	55,000	220	16.25
1747	ADM Grain Company	St. Louis, MO	UM 184R	1,573,000	220,000	880	16.25
1773	Bunge North America	Fairmont City, IL	181	1,117,000	110,000	440	16.25
1764	Cargill, Inc.	E. St. Louis, IL	UM 179L	2,481,000	110,000	440	16.25
1711	Consolidated Grain & Barge Co.	Cahokia, IL	UM 176.5L	THROUGH PUT	55,000	220	16.25
1725	Louis Dreyfus Company River Elevators LLC	Cahokia, IL	175.6	742,580	55,000	220	16.25
1775	Nidera Cahokia LLC	Cahokia, IL	175.6	THROUGH PUT	110,000	440	16.25

Appendix B
CBOT Rulebook
(additions underlined and deletions ~~strikethrough~~)

Chapter 10
Corn Futures

10105. LOCATION DIFFERENTIALS
(FOR ALL CONTRACT MONTHS PRIOR TO MARCH 2019)

Corn for shipment from regular shipping stations located within the Chicago Switching District or the Burns Harbor, Indiana Switching District may be delivered in satisfaction of Corn futures contracts at contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Lockport-Seneca Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 2 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Ottawa-Chillicothe Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 2½ cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Peoria-Pekin Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 3 cents per bushel over contract price, subject to the differentials for class and grade outlined above.

10105. LOCATION DIFFERENTIALS
(FOR ALL CONTRACT MONTHS COMMENCING WITH MARCH 2019 AND BEYOND)

Corn for shipment from regular shipping stations located within the Chicago Switching District or the Burns Harbor, Indiana Switching District may be delivered in satisfaction of Corn futures contracts at contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Lockport-Seneca Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 4.75 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Ottawa-Chillicothe Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 6.25 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Peoria-Pekin Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 8.75 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Havana-Grafton Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 10.25 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located in the St. Louis-East St. Louis and Alton Switching Districts may be delivered in satisfaction of Corn futures contracts at a premium of 16.25 cents per bushel over contract price, subject to the differentials for class and grade outlined above.

10106. DELIVERY POINTS
(FOR ALL CONTRACT MONTHS PRIOR TO MARCH 2019)

Corn shipping certificates shall specify shipment from one of the warehouses or shipping stations currently regular for delivery and located in one of the following territories:

A. Chicago and Burns Harbor, Indiana Switching District - When used in these Rules, the Chicago Switching District will be that area geographically defined by Tariff ICC WTL 8020-Series and that portion of the Illinois Waterway at or

above river mile 304 which includes the Calumet Sag Channel and the Chicago Sanitary & Ship Canal. When used in these Rules, Burns Harbor, Indiana Switching District will be that area geographically defined by the boundaries of Burns Waterway Harbor at Burns Harbor, Indiana which is owned and operated by the Indiana Port Commission.
B. Lockport-Seneca Shipping District - When used in these Rules, the Lockport-Seneca Shipping District will be that portion of the Illinois Waterway below river mile 304 at the junction of the Calumet Sag Channel and the Chicago Sanitary & Ship Canal and above river mile 244.6 at the Marseilles Lock and Dam.
C. Ottawa-Chillicothe Shipping District - When used in these Rules, the Ottawa-Chillicothe Shipping District will be that portion of the Illinois Waterway below river mile 244.6 at the Marseilles Lock and Dam and at or above river mile 170 between Chillicothe and Peoria, IL.
D. Peoria – Pekin Shipping District - When used in these Rules, the Peoria-Pekin Shipping District will be that portion of the Illinois Waterway below river mile 170 between Chillicothe and Peoria, IL and at or above river mile 151 at Pekin, IL.

10106. DELIVERY POINTS (FOR ALL CONTRACT MONTHS COMMENCING WITH MARCH 2019 AND BEYOND)

Corn shipping certificates shall specify shipment from one of the warehouses or shipping stations currently regular for delivery and located in one of the following territories:

A. Chicago and Burns Harbor, Indiana Switching District - When used in these Rules, the Chicago Switching District will be that area geographically defined by Tariff ICC WTL 8020-Series and that portion of the Illinois Waterway at or above river mile 304 which includes the Calumet Sag Channel and the Chicago Sanitary & Ship Canal. When used in these Rules, Burns Harbor, Indiana Switching District will be that area geographically defined by the boundaries of Burns Waterway Harbor at Burns Harbor, Indiana which is owned and operated by the Indiana Port Commission.
B. Lockport-Seneca Shipping District - When used in these Rules, the Lockport-Seneca Shipping District will be that portion of the Illinois Waterway below river mile 304 at the junction of the Calumet Sag Channel and the Chicago Sanitary & Ship Canal and above river mile 244.6 at the Marseilles Lock and Dam.
C. Ottawa-Chillicothe Shipping District - When used in these Rules, the Ottawa-Chillicothe Shipping District will be that portion of the Illinois Waterway below river mile 244.6 at the Marseilles Lock and Dam and at or above river mile 170 between Chillicothe and Peoria, IL.
D. Peoria – Pekin Shipping District - When used in these Rules, the Peoria-Pekin Shipping District will be that portion of the Illinois Waterway below river mile 170 between Chillicothe and Peoria, IL and at or above river mile 151 at Pekin, IL.
E. Havana-Grafton Shipping District - When used in these Rules, the Havana-Grafton Shipping District will be that portion of the Illinois Waterway below river mile 151 at Pekin, IL to river mile 0 at Grafton, IL.
F. St. Louis-East St. Louis and Alton Switching Districts - When used in these Rules, St. Louis-East St. Louis and Alton Switching Districts will be that portion of the upper Mississippi River below river mile 218 at Grafton, IL and above river mile 170 at Jefferson Barracks Bridge in south St. Louis, MO.

10109. REGULARITY OF WAREHOUSES AND ISSUERS OF SHIPPING CERTIFICATES

10109.A. Regularity Requirements

In addition to the conditions set forth in Rule 703. A., Conditions for Approval, the following shall constitute requirements and conditions for regularity:

1. The operator of a shipping station issuing corn shipping certificates shall limit the number of shipping certificates issued to an amount not to exceed:
a. 20 times his registered total daily rate of loading barges, or in the case of the Chicago, Illinois and Burns Harbor, Indiana Switching Districts, his registered storage capacity; and
b. a value greater than 50 percent of the operator's net worth.

2. The shipper issuing corn shipping certificates shall register his total daily rate of loading barges at his maximum 8 hour load out capacity in an amount not less than:
a. One barge per day at each shipping station within the Lockport-Seneca Shipping District, within the Ottawa-Chillicothe Shipping District, and within the Peoria-Pekin Shipping District; and for March 2019 and any ensuing contract months, within the Havana-Grafton Shipping District, and within the St. Louis-East St. Louis and Alton Switching District; and
b. three barges per day at each shipping station in the Chicago, Illinois and Burns Harbor, Indiana Switching Districts.

3. Shippers located in the Chicago, Illinois and Burns Harbor, Indiana Switching Districts shall be connected by railroad tracks with one or more railway lines.

10109.B. Location

For the delivery of corn, regular facilities may be located within the Chicago Switching District or within the Burns Harbor, Indiana Switching District or within the Lockport-Seneca Shipping District or within the Ottawa-Chillicothe Shipping District or within the Peoria-Pekin Shipping District or for March 2019 and any ensuing contract months, within the Havana-Grafton Shipping District or within the St. Louis-East St. Louis and Alton Switching District.

No such regular facility within the Chicago Switching District shall be declared regular unless it is conveniently approachable by vessels of ordinary draft and has customary shipping facilities. Ordinary draft shall be defined as the lesser of (1) channel draft as recorded in the Lake Calumet Harbor Draft Gauge, as maintained by the Corps of Engineers, U.S. Army, minus one foot, or (2) 20 feet.

Delivery in Burns Harbor must be made from regular facilities providing water loading facilities and maintaining water depth equal to normal seaway draft of 27 feet.

In addition, deliveries of corn may be made from regular elevators or shipping stations within the Burns Harbor Switching District PROVIDED that:

(a) When corn represented by shipping certificates is ordered out for shipment by a barge, it will be the obligation of the party making delivery to protect the barge freight rate from the Chicago Switching District (i.e. the party making delivery and located in the Burns Harbor Switching District will pay the party taking delivery an amount equal to all expenses for the movement of the barge from the Chicago Switching District, to the Burns Harbor Switching District and the return movement back to the Chicago Switching District).

If inclement weather conditions make the warehouse or shipping station located in the Burns Harbor Switching District unavailable for barge loadings for a period of five or more calendar days, the party making delivery will make grain available on the day following this five calendar day period to load into a barge at one mutually agreeable water warehouse or shipping station located in the Chicago Switching District; PROVIDED that the party making delivery is notified on the first day of that five-day period of inclement weather that the barge is available for movement but cannot be moved from the Chicago Switching District to the Burns Harbor Switching District, and is requested on the last day of this five calendar day period in which the barge cannot be moved.

(b) When corn represented by shipping certificates is ordered out for shipment by vessel, and the party taking delivery is a recipient of a split delivery of grain between a warehouse or shipping station located in Burns Harbor and a warehouse or shipping station in Chicago, and the grain in the Chicago warehouse or shipping station will be loaded onto this vessel, it will be the obligation of the party making delivery at the request of the party taking delivery to protect the holder of the shipping certificates against any additional charges resulting from loading at one berth in the Burns Harbor Switching District and at one berth in the Chicago Switching District as compared to a single berth loading at one location. The party making delivery, at his option, will either make the grain available at one water warehouse or shipping station operated by the party making delivery and located in the Chicago Switching District for loading onto the vessel, make grain available at the warehouse or shipping station in Burns Harbor upon the surrender of shipping certificates issued by other regular elevators or shipping stations located in the Chicago Switching District at the time vessel loading orders are issued, or compensate the party taking delivery in an amount equal to all applicable expenses, including demurrage charges, if any, for the movement of the vessel between a berth in the other switching district. On the day that the grain is ordered out for shipment by vessel, the party making delivery will declare the regular warehouse or shipping station in which the grain will be available for loading.

Delivery within the Lockport-Seneca Shipping District or within the Ottawa-Chillicothe Shipping District or within the Peoria-Pekin Shipping District or for March 2019 and any ensuing contract months, within the Havana-Grafton Shipping District must be made at regular shipping stations providing water loading facilities and maintaining water depth equal to the draft of the Illinois River maintained by the Corps of Engineers.

Delivery in the St. Louis-East St. Louis and Alton Switching District for March 2019 and any ensuing contract months must be made at regular shipping stations providing water loading facilities and maintaining water depth equal to the draft of the Mississippi River maintained by the Corps of Engineers.

10109.C. Barge Load-Out Procedures for Corn

(Refer to Rule 703. C., Load-Out, and the Interpretations to Chapter 7).

Chapter 10B
Mini-Sized Corn Futures

10B05. LOCATION DIFFERENTIALS
(FOR ALL CONTRACT MONTHS PRIOR TO MARCH 2019)

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Corn for shipment from regular shipping stations located within the Lockport-Seneca Shipping District may be delivered in satisfaction of corn futures contracts at a premium of 2 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Ottawa-Chillicothe Shipping District may be delivered in satisfaction of corn futures contracts at a premium of 2½ cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Peoria-Pekin Shipping District may be delivered in satisfaction of corn futures contracts at a premium of 3 cents per bushel over contract price, subject to the differentials for class and grade outlined above.

10B05. LOCATION DIFFERENTIALS
(FOR ALL CONTRACT MONTHS COMMENCING WITH MARCH 2019 AND BEYOND)

Corn for shipment from regular shipping stations located within the Chicago Switching District or the Burns Harbor, Indiana Switching District may be delivered in satisfaction of Corn futures contracts at contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Lockport-Seneca Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 4.75 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Ottawa-Chillicothe Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 6.25 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
Corn for shipment from regular shipping stations located within the Peoria-Pekin Shipping District may be delivered in satisfaction of Corn futures contracts at a premium of 8.75 cents per bushel over contract price, subject to the differentials for class and grade outlined above.
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Corn for shipment from regular shipping stations located in the St. Louis-East St. Louis and Alton Switching Districts may be delivered in satisfaction of Corn futures contracts at a premium of 16.25 cents per bushel over contract price, subject to the differentials for class and grade outlined above.

10B06. DELIVERY POINTS
(FOR ALL CONTRACT MONTHS PRIOR TO MARCH 2019)

Corn shipping certificates shall specify shipment from one of the warehouses or shipping stations currently regular for delivery and located in one of the following territories:

A. Chicago and Burns Harbor, Indiana Switching District - When used in these Rules, the Chicago Switching District will be that area geographically defined by Tariff ICC WTL 8020-Series and that portion of the Illinois Waterway at or above river mile 304 which includes the Calumet Sag Channel and the Chicago Sanitary & Ship Canal. When used in these Rules, Burns Harbor, Indiana Switching District will be that area geographically defined by the boundaries of Burns Waterway Harbor at Burns Harbor, Indiana which is owned and operated by the Indiana Port Commission.
B. Lockport-Seneca Shipping District - When used in these Rules, the Lockport-Seneca Shipping District will be that portion of the Illinois Waterway below river mile 304 at the junction of the Calumet Sag Channel and the Chicago Sanitary & Ship Canal and above river mile 244.6 at the Marseilles Lock and Dam.

C. Ottawa-Chillicothe Shipping District - When used in these Rules, the Ottawa-Chillicothe Shipping District will be that portion of the Illinois Waterway below river mile 244.6 at the Marseilles Lock and Dam and at or above river mile 170 between Chillicothe and Peoria, IL.
D. Peoria – Pekin Shipping District - When used in these Rules, the Peoria-Pekin Shipping District will be that portion of the Illinois Waterway below river mile 170 between Chillicothe and Peoria, IL and at or above river mile 151 at Pekin, IL.

10B06. DELIVERY POINTS
(FOR ALL CONTRACT MONTHS COMMENCING WITH MARCH 2019 AND BEYOND)

Corn shipping certificates shall specify shipment from one of the warehouses or shipping stations currently regular for delivery and located in one of the following territories:

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B. Lockport-Seneca Shipping District - When used in these Rules, the Lockport-Seneca Shipping District will be that portion of the Illinois Waterway below river mile 304 at the junction of the Calumet Sag Channel and the Chicago Sanitary & Ship Canal and above river mile 244.6 at the Marseilles Lock and Dam.
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E. Havana-Grafton Shipping District - When used in these Rules, the Havana-Grafton Shipping District will be that portion of the Illinois Waterway below river mile 151 at Pekin, IL to river mile 0 at Grafton, IL.
F. St. Louis-East St. Louis and Alton Switching Districts - When used in these Rules, St. Louis-East St. Louis and Alton Switching Districts will be that portion of the upper Mississippi River below river mile 218 at Grafton, IL and above river mile 170 at Jefferson Barracks Bridge in south St. Louis, MO.

Appendix C

The Exchange's Methodology to Derive the New Locational Differentials

Commodity prices along the U.S. Inland Waterway System are based primarily on barge freight rates. That is, the price difference between two points along an Inland Waterway System river is based mostly on the cost to barge the commodity between the two points. The Inland Waterway System utilizes a percent of tariff system to establish barge freight rates. Each warehouse along an Inland Waterway System river has a 1976 benchmark tariff rate per ton. Then, barge freight is traded as a percentage of this 1976 benchmark rate. The following formula can then be used to convert the current barge rate percentage into the actual barge rate in cents per ton:

(Current Barge Rate Percentage * 1976 Tariff Benchmark Rate per ton)/100

The result from this formula can be divided by 2000 and then multiplied by 56 to convert from cents per ton to cents per bushel. For example, Chicago's 1976 Benchmark Rate per ton is 578 cents per ton. If barge freight is trading at, for example, 300 percent, that represents:

(300 * 578)/100 = 1,734 cents per ton. Or

(1734/2000)*56 = 48.552 cents per bushel.

With barge freight at 300 percent, the cost to ship Chicago corn along the Illinois River waterway system to a lower Mississippi River grain export facility located between Baton Rouge and Myrtle Grove, Louisiana is just over 48.5 cents per bushel.

Similarly, the 1976 Benchmark Rate per ton in Morris, IL is 524. For Morris, with barge freight at 300 percent, this represents:

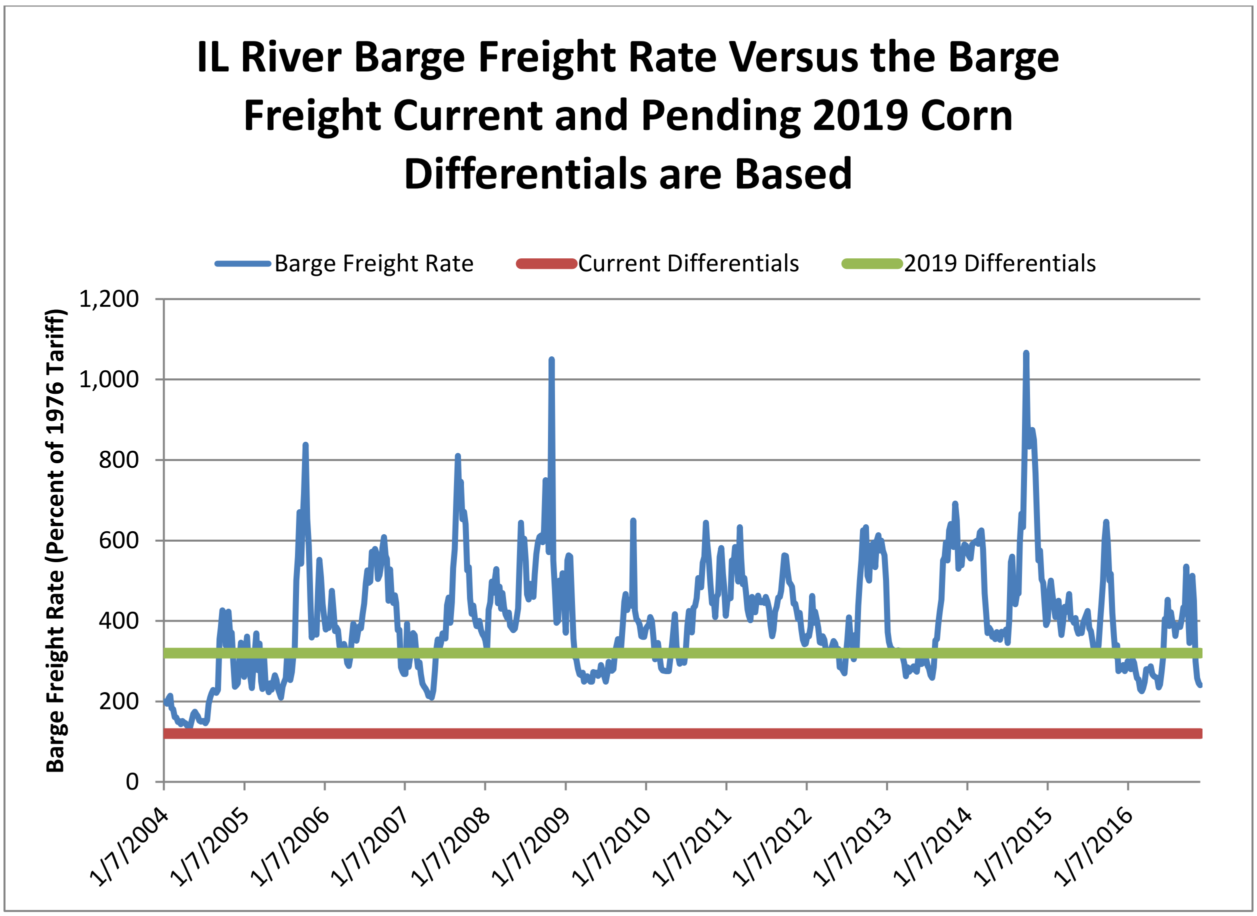
(300 * 524)/100 = 1,572 cents per ton or approximately 44 cents per bushel.

Because it costs 48.5 cents per bushel to ship from Chicago and only 44 cents per bushel to ship from Morris, an exporter's bids for corn will be 4.5 cents per bushel more in Morris compared to Chicago all other factors the same. Indeed, that is how grain is valued along the River.

When Corn and Soybean futures migrated to River delivery in 2000, the initial locational differentials were calculated using barge freight of between 110 and 120 percent of tariff. Specifically, Chicago and Burns Harbor were designated to deliver at par, and premiums along the Illinois River were calculated using between 110 and 120 percent of each location's 1976 tariff rate. In 2014, the Exchange held a corn focus group to review the corn contract's performance. One of the recommendations from the focus group was to update the delivery differentials to be more in line with current barge freight rates, which have increased since the river delivery system was put into place. A widely distributed follow-up survey resulted in the same recommendation. In 2015, the Exchange certified new delivery differentials in both Corn and Soybean futures based on approximately 325 percent of tariff, which are scheduled to go into effect in 2019.

Shipping District	Current Differentials	New Differentials beginning with 2019 Contracts and Beyond
Chicago and Burns Harbor	Par	Par
Lockport-Seneca	2¢/bu. over contract price	4.75¢/bu. over contract price
Ottawa-Chillicothe	2.5¢/bu. over contract price	6.25¢/bu. over contract price
Peoria-Pekin	3¢/bu. over contract price	8.75¢/bu. over contract price
Soybean Only Shipping Districts		
Havanna-Grafton	3.5¢/bu. over contract price	10.25¢/bu. over contract price
St. Louis;E.St. Louis; Alton	6¢/bu. over contract price	16.25¢/bu. over contract price

The chart below shows weekly average spot Illinois River barge freight rates since 2004 as reported by the USDA (https://www.ams.usda.gov/services/transportation-analysis/grain-transportation). The chart also shows horizontal lines at 120 and 325 percent. When the spot rate crosses 120 percent, price differentials along the Illinois River will be similar to the current (2000) differentials and when the spot rate crosses 325, price differentials along the Illinois River will be similar to the new differentials that will go into effect in 2019.



As the chart shows, barge freight is quite variable. More importantly for the locational differentials scheduled to go into effect in 2019, since January 2004, barge freight has not traded at or below 120 percent, the level current locational differentials are based on. However, barge freight has regularly traded both above and below 325 percent, the rate used to set the forthcoming 2019 differentials. This shows that the 2019 differentials are within the normal cash market range for the River.