

## **Chapter 14 Wheat Futures**

### **14100. SCOPE OF CHAPTER**

This chapter is limited in application to futures trading of wheat. The procedures for trading, clearing, inspection, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

### **14101. CONTRACT SPECIFICATIONS**

Each futures contract shall be for 5,000 bushels of No. 2 Soft Red Winter, No. 2 Hard Red Winter, No. 2 Dark Northern Spring, and No. 2 Northern Spring at par; and No. 1 Soft Red Winter, No. 1 Hard Red Winter, No. 1 Dark Northern Spring and No. 1 Northern Spring at 3 cents per bushel over contract price. Every delivery of wheat may be made up of the authorized grades for shipment from eligible regular facilities provided that no lot delivered shall contain less than 5,000 bushels of any one grade in any one facility.

### **14102. TRADING SPECIFICATIONS**

Trading in wheat futures is regularly conducted in five months – July, September, December, March and May. The number of months open for trading at a given time shall be determined by the Exchange.

#### **14102.A. Trading Schedule**

The hours for trading of wheat futures shall be determined by the Exchange.

On the last day of trading in an expiring future, the close of the expiring future shall begin at 12 o'clock noon and trading shall be permitted thereafter for a period not to exceed one minute. Quotations made during this one minute period shall constitute the close.

#### **14102.B. Trading Unit**

The unit of trading shall be 5,000 bushels of Wheat.

#### **14102.C. Price Increments**

The minimum fluctuation for wheat futures shall be  $\frac{1}{4}$  cent per bushel (\$12.50 per contract), including spreads.

#### **14102.D. Daily Price Limits**

Daily price limits for Wheat futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the preliminary new initial price limit. This preliminary initial price limit and the preliminary initial price limit for KC HRW Wheat futures shall be compared, and the higher of the two shall be the new initial price limit for Wheat futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 30 cents per bushel, whichever is higher, will be the preliminary new initial price limit. This preliminary initial price limit and the preliminary initial price limit for KC HRW Wheat futures shall be compared, and the higher of the two shall be the new initial price limit for Wheat futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Wheat futures at a price more than the initial price limit above or below the previous day's settlement price. Should two or more Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the May contract) settle at limit, or should two or more KC HRW Wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the May

contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Wheat futures contract month and no KC HRW Wheat futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

**14102.E. Position Limits, Limits on Holdings of Registered and Outstanding Shipping Certificates, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits, limits on holdings of registered and outstanding shipping certificates and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits, limits on holdings of registered and outstanding shipping certificates for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**14102.F. RESERVED**

**14102.G. Termination of Trading**

No trades in wheat futures deliverable in the current month shall be made after the business day preceding the 15th calendar day of that month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the second business day following the last trading day (tender on business day prior to delivery).
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position, no later than the business day following the last trading day.

**14103. RESERVED**

**14104. GRADES / GRADE DIFFERENTIALS<sup>1</sup>**

Upon written request by a taker of delivery at the time loading orders are submitted, a futures contract for the sale of wheat shall be performed on the basis of United States origin only.

<b><u>WHEAT GRADE DIFFERENTIALS</u></b>	
<b>At 3¢ Premium</b>	<b>At Contract Price</b>
No. 1 Soft Red Winter	No. 2 Soft Red Winter
No. 1 Hard Red Winter	No. 2 Hard Red Winter
No. 1 Dark Northern Spring	No. 2 Dark Northern Spring
No. 1 Northern Spring	No. 2 Northern Spring

Wheat which contains moisture in excess of 13.5% is not deliverable.

A contract for the sale of wheat for future delivery shall be performed on the basis of the grades officially promulgated by the Secretary of Agriculture as conforming to United States Standards at the time of making the contract. If no such United States grades shall have been officially promulgated, then such contract shall be performed on the basis of the grades established by the Department of Agriculture of the State of Illinois, or the standards established by the Rules of the Exchange in force at the time of making the contract.

**Effective September 1, 2011**, all wheat shipping certificates shall be marked as either 2 parts per million deoxynivalenol (vomitoxin), 3 parts per million vomitoxin, or 4 parts per million vomitoxin. Shipping certificates marked as 2 parts per million vomitoxin shall be delivered at contract price, while shipping certificates marked as 3 parts per million shall be delivered at a 12 cent per bushel discount and shipping certificates marked as 4 parts per million shall be delivered at a 24 cent per

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<sup>1</sup> Revised November 2008

bushel discount. A taker of delivery of wheat shall have the option to request in writing vomitoxin testing. At the taker's expense, a determination of the level of vomitoxin shall be made at the point of load-out by the Federal Grain Inspection Service or by a third party inspection service which is mutually agreeable to the maker and taker of delivery. Regular facilities shall load out wheat containing unit average testing results of 2 parts per million vomitoxin or below for canceled shipping certificates marked as 2 parts per million, shall load out wheat containing unit average testing results of 3 parts per million vomitoxin or below for canceled shipping certificates marked as 3 parts per million, and shall load out wheat containing unit average testing results of 4 parts per million vomitoxin or below for canceled shipping certificates marked as 4 parts per million.

**Effective September 1, 2013**, all wheat shipping certificates shall be marked as either 2 parts per million deoxynivalenol (vomitoxin), or 3 parts per million vomitoxin. Shipping certificates marked as 2 parts per million vomitoxin shall be delivered at contract price, while shipping certificates marked as 3 parts per million shall be delivered at a 20 cent per bushel discount. A taker of delivery of wheat shall have the option to request in writing vomitoxin testing. At the taker's expense, a determination of the level of vomitoxin shall be made at the point of load-out by the Federal Grain Inspection Service or by a third party inspection service which is mutually agreeable to the maker and taker of delivery. Regular facilities shall load out wheat containing unit average testing results of 2 parts per million vomitoxin or below for canceled shipping certificates marked as 2 parts per million and shall load out wheat containing unit average testing results of 3 parts per million vomitoxin or below for canceled shipping certificates marked as 3 parts per million.

#### **14105. LOCATION DIFFERENTIALS**

In accordance with the provisions of Rule 14106., wheat for shipment from regular facilities located within the Chicago Switching District, the Burns Harbor, Indiana Switching District, on the Ohio River, or the Toledo, Ohio Switching District may be delivered in satisfaction of Wheat futures contracts at contract price, subject to the differentials for class and grade outlined above. Wheat for shipment from regular facilities in the Northwest Ohio territory may be delivered in satisfaction of Wheat futures contracts at a discount of 10 cents per bushel, subject to the differentials for class and grade outlined above. Wheat for shipment from regular facilities on the Mississippi River may be delivered in satisfaction of Wheat futures contracts at a premium of 20 cents per bushel, subject to the differentials for class and grade outlined above. Wheat for shipment from regular facilities located within the St. Louis - Alton Territory may be delivered in satisfaction of Wheat futures contracts at a premium of 10 cents per bushel over contract price, subject to the differentials for class and grade.

#### **14106. DELIVERY POINTS**

Wheat certificates shall specify shipment from one of the currently regular for delivery facilities located in one of the following territories: Wheat for shipment from regular facilities located within the Chicago Switching District, the Burns Harbor, Indiana Switching District, the Northwest Ohio Territory, the St. Louis – Alton Territory, on the Ohio River, on the Mississippi River or the Toledo, Ohio Switching District may be delivered in satisfaction of wheat futures contracts. 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. The Northwest Ohio Territory shall be shuttle loading facilities within the following 12 counties: Allen, Crawford, Hancock, Hardin, Henry, Huron, Marion, Putnam, Sandusky, Seneca, Wood, and Wyandot. The Ohio River facilities shall be river loading facilities on the Ohio River from mile marker 455 to the Mississippi River. The St. Louis – Alton Territory shall be on the Mississippi River between Upper River mile markers 205 and 168. The Mississippi River facilities shall be river loading facilities on the Mississippi River downriver from the St. Louis - Alton Territory to Lower River mile marker 715.

#### **14107. REGISTRATION AND DELIVERY OF WHEAT CERTIFICATES AND DELIVERY PAYMENT<sup>1</sup>**

##### **14107.A. Registration and Delivery of Wheat Certificates**

(Refer to Rule 712., Delivery and Registration, and Rule 713., Delivery Procedures.)

##### **14107.B. Delivery Payment**

Delivery Payment shall be made utilizing the electronic delivery system via the Clearing House's online system. Delivery Payment will be made during the 6:45 a.m. collection cycle, or such other

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<sup>1</sup> Revised June 2008.

time designated by the Clearing House. Thus, the cost of delivery will be debited or credited to a clearing firm's settlement account. Buyers obligated to accept delivery must take delivery and make Delivery Payment and sellers obligated to make delivery must make delivery during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the day of delivery, except on banking holidays when delivery must be taken or made and Delivery Payment made during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.

#### **14108. PREMIUM CHARGES<sup>1</sup>**

To be valid for delivery on futures contracts, all certificates covering wheat under obligation for shipment must indicate the applicable premium charge. No certificate shall be valid for delivery on futures contracts unless the premium charges on such wheat shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including date of delivery.

The maximum premium charges on Wheat shall be determined prior to the nearby contract delivery period. The Exchange shall measure the nearby spread relative to financial full carry each business day from the 19<sup>th</sup> calendar day of the delivery month of the contract that expires prior to the nearby contract until the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month. For example, for a September expiration, the Exchange would measure the September – December spread relative to financial full carry each business day from July 19 until the last Friday in August which precedes by at least two business days the last business day in August. Financial full carry will be determined by the following formula:

$$N * \left[ \left( \frac{i}{360} \right) * FP + P \right]$$

Where:

N = Number of calendar days from the first delivery day in the nearby contract to the first delivery day in the contract that follows the nearby contract

i = 3-Month LIBOR rate + 200 basis points

FP = Settlement price for the nearby futures contract

P = Current daily premium charge

The percentage of the nearby spread to financial full carry is calculated each business day during the calculation period and a running average of each of these daily values is calculated. At the end of the calculation period (the last Friday which precedes by at least two business days the last business day of the month preceding the nearby contract delivery month), should the running average carry be 80 percent of financial full carry or greater, then the maximum daily premium charge shall increase 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month. Should the running average carry be 50 percent of financial full carry or less, then the maximum daily premium charge shall decrease 10/100's of one cent per bushel on the 18<sup>th</sup> calendar day of the nearby contract delivery month.

The Exchange may adjust how the observed nearby spread is measured relative to financial full carry should pending contract changes exist that have the potential to affect the normal nearby spread relationship. Any adjustments to how the observed spread is measured will attempt to remove the potential effects caused by the pending contract change. Any adjustments in how the nearby spread is measured will be communicated to market participants through a Special Executive Report or Exchange Advisory Notice prior to the beginning of the measurement period.

Premium charges shall not be reduced below 16.5/100's of one cent per bushel per day.

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<sup>1</sup> Revised May 2010.

## **14109. REGULARITY OF FACILITIES AND ISSUERS OF SHIPPING CERTIFICATES**

### **14109.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 wheat 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 on the Mississippi River, Ohio River and St. Louis - Alton territories and;
  - b. not more than his registered storage capacity in the Chicago, Illinois; Burns Harbor, Indiana; Toledo, Ohio; and Northwest Ohio switching districts and;
  - c. a value greater than 50 percent of the operator's net worth.
2. The shipper issuing wheat shipping certificates shall register his total daily rate of loading for 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 Mississippi River, Ohio River and St. Louis - Alton territories; 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; Burns Harbor, Indiana; Northwest Ohio; and the Toledo, Ohio Switching Districts shall be connected by railroad tracks with one or more railway lines.

### **14109.B. Location**

For the delivery of wheat, regular facilities may be located within the Chicago Switching District or within the Burns Harbor, Indiana Switching District (subject to the provisions of Paragraph A above), within the Toledo, Ohio Switching District, within the Northwest Ohio Territory defined as Allen, Crawford, Hancock, Hardin, Henry, Huron, Marion, Putnam, Sandusky, Seneca, Wood and Wyandot counties; on the Ohio river from mile marker 455 to the Mississippi River; on the Mississippi River downriver from the St. Louis - Alton Territory to mile marker 715; or within the St. Louis - Alton Territory on the Mississippi River between Upper River mile markers 205 and 168.

Delivery in Toledo must be made by shipping certificates at regular facilities providing water loading facilities and maintaining water depth equal to normal seaway draft of 27 feet.

However, deliveries of wheat may be made in off-water elevators within the Toledo, Ohio Switching District PROVIDED that the party making delivery makes the grain available upon call within five calendar days to load into water equipment at one water location within the Toledo, Ohio Switching District. The party making delivery must declare within one business day after receiving shipping certificates and loading orders the water location at which wheat will be made available.

Any additional expense incurred to move delivery grain from an off-water elevator into water facilities shall be borne by the party making delivery; PROVIDED that the party taking delivery presents water equipment clean and ready to load within fifteen calendar days from the time the grain has been made available.

Official weights and official grades as loaded into the water equipment shall govern for delivery purposes.

Delivery in the St. Louis - Alton Territory, on the Ohio River, and on the Mississippi River must be by shipping certificates at regular facilities providing barge loading facilities and maintaining water depth equal to the average draft of the current barge loadings in the St. Louis - Alton barge loading territory, and equal to the average draft of the current barge loadings along the Ohio River, and along the Mississippi River, respectively.

## **14110. BILLING**

### **14110.A. Chicago, Toledo, Northwest Ohio, Ohio River, Mississippi River and St. Louis - Alton Delivery**

Wheat (Chicago, Toledo, Northwest Ohio, Ohio River, Mississippi River, and St. Louis - Alton delivery):

The operator of the regular facility is not required to furnish transit billing on wheat represented by

shipping certificate deliveries in Chicago, Illinois, Toledo, Ohio, or in locations of regular facilities in the Northwest Ohio Territory, in the St. Louis - Alton Territory, along the Ohio River, or along the Mississippi River. Delivery shall be flat.

**14110.B. Burns Harbor Delivery**

(1) When Wheat represented by shipping certificates delivered from Burns Harbor is ordered out for shipment by rail, it will be the obligation of the party making delivery to protect the Chicago rail rate, if lower, which would apply to the owner's destination had a like kind and quantity of Wheat designated on shipping certificates been loaded out and shipped from a regular facility located in the Chicago Switching District. If Wheat is loaded out and shipped to an industry in the Chicago Switching District, the party making delivery will protect the minimum, crosstown switch charge in the Chicago Switching District.

When rail loading orders are submitted, the party taking delivery shall state in writing if he elects to receive the applicable rail rates from Burns Harbor or Chicago. If the party taking delivery specifies Burns Harbor, the party making delivery will load rail cars at the Burns Harbor regular facility and will not be required to protect the Chicago rates.

If the party taking delivery specifies Chicago rates, the party making delivery will declare on the day that the Wheat is ordered out for shipment by rail, the facility at which the Wheat will be made available, which is operated by the party making delivery and is located either in the Burns Harbor or the Chicago Switching Districts. If the declared facility is located in the Chicago Switching District, the party making delivery will provide only that billing specified in Rule 14110.A. However, if the declared facility is located in Burns Harbor and the rail rate from Chicago or the minimum Chicago crosstown switch charge requires protection, the party making delivery will compensate the party taking delivery. The compensation shall be in an amount equivalent to the difference of the freight charges from Burns Harbor and the freight charges which would be applicable had the Wheat been loaded at and shipped from a facility located in the Chicago Switching District to the owner's destination.