



**Terry Duffy Remarks
The Corporate Council on Africa
U.S.-Africa Agribusiness Forum
Hyatt Regency Hotel
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8:30 a.m.**

Good morning and welcome to Chicago. I am Terry Duffy, Executive Chairman of CME Group. As the world's largest and most diverse derivatives exchange and largest agricultural commodities marketplace, we are delighted to sponsor the U.S.-Africa Agribusiness Forum. This venue provides an important opportunity to discuss the forces that are reshaping the development of agricultural markets around the world, including Africa.

It has been said that these are the best of times and worst of times for agriculture. Your view, I suppose, depends on where you are in the industry food chain. The fact is, increased demand and limited supply on a worldwide scale are pushing up the price of commodities. For some, like U.S. corn farmers, the price increases are seen as welcome. For others, such as millers who need to buy wheat to make flour or restaurants who are buying food to serve customers, it isn't such welcome news.

However, regardless of your personal perspective, we can all agree that higher commodity prices are telling us one important thing – the world needs more food. Meeting increasing demand will require more investment, innovation and infrastructure throughout the agriculture industry. And that means more opportunity for agribusinesses globally. Africa, in particular, has the potential to be a key player in the future of agriculture.

As the Corporate Council on Africa has stated, "Despite tremendous challenges on the continent, there are also tremendous opportunities for agribusiness – opportunities to invest in and produce virtually everything – from grain to grapes to infrastructure." Last year, agriculture generated more than one-third of Africa's GDP.

That said, Africa is a net importer of agricultural commodities. At a time when the world needs more from agriculture, we need Africa to reach its potential and become a global partner in commodity production.

Global food shortages, rising commodity prices and the debate about biofuels have impacted the agribusiness marketplace tremendously. The factors that have come together include increasing demand, decreased supplies, weather, mandates on corn for ethanol use, and the declining value of the dollar.

All of these factors are creating unprecedented conditions that are being reflected in agricultural markets. We are seeing record prices in almost every grain product across the board. Fertilizer and farm land are also at a premium. I will address these issues in more detail in just a moment.

Against this backdrop, let's look at how CME Group helps agribusinesses and farmers succeed in such a challenging environment.

For those of you who may be unfamiliar with our business, CME Group operates the world's largest and most diverse derivatives exchange. We offer futures and options on the widest array of asset classes – including fixed income, short-term interest rates, stock indexes, foreign exchange, energy and metals, alternative products such as weather and real estate – as well as one of our staple products, agricultural commodities.

The world comes to CME Group for price discovery and risk management. All of our contracts serve as global benchmarks. Our commodity products have served our customers for over 160 years.

We have continually focused on ensuring the integrity, transparency and efficiencies of all of our markets.

In 2007, our volume exceeded 2.8 billion contracts, easily surpassing the prior year's 2.2 billion contracts. In dollar terms, it represents a number you don't hear very often – more than 1.2 quadrillion dollars. By way of comparison, the global GDP is \$61 trillion.

Of the 12 million contracts we handle each day on average, about 80 percent is traded electronically on our global electronic platform. CME Globex is accessible in 85 countries, including five African nations. The other 20 percent of our volume, or about 2 million contracts, is traded in the traditional way, on our trading floors.

While futures markets are dominated by financial products, our roots are in agriculture. Today, CME Group offers the widest range of commodity futures and options of any exchange, with trading available on a range of grains, oilseed, livestock, dairy, lumber and other products.

Our agricultural products help farmers and agribusinesses manage the constant price risks they face, affected by such forces as weather, disease, governmental policies, natural disasters and wars. CME commodity products offer a way to manage these risks by making it possible for users to lock in prices and enhance business planning. Many of our agricultural products trade virtually around the clock on CME Globex.

Like all of our markets, our agricultural markets are transparent and liquid. They provide a venue for price discovery by reflecting the market's expectations for future pricing. Our markets operate on a central counterparty clearing model in which our clearing house serves as the buyer to every seller and the seller to every buyer. This protects both parties from the risk of a counterparty default.

Because the clearing house publishes prices of each contract, our markets are extremely transparent and market participants know where they stand. Our markets are

liquid, enabling agribusinesses and other participants to easily move in and out of the positions they hold.

Our model has proven to work well, and has served as the blueprint for other exchanges around the world, including a number of emerging markets that are working to emulate it. Lately our free market system has been tested in the face of some of the highest grain prices in history. There are a number of factors that have combined to create this volatile environment for agribusiness worldwide. They are:

1. Biofuels

In the U.S., the mandate to produce biofuels created additional market stress. The expectation is for continued growth in biofuel use/demand. In Europe, legislation will require significantly increased use of biofuel by 2010. The problem is that there simply is not enough land to set aside in all of the EU to meet these ambitious requirements. They will need to import significantly higher levels of either finished product or higher levels of oilseeds in order to produce the needed biofuel.

Add to that, the 2005 energy bill in the U.S. called for approximately 93 million acres of corn to be planted in 2007. This is the highest level since World War II. It is estimated that roughly 1/3 of these acres will be dedicated to ethanol by 2017.

2. Limited Farmland

Farmers are intelligent and economically rational. Last year, U.S. farmers planted the most land to corn since 1944 as demand from the ethanol sector boosted prices. This year, those farmers struggled as flood waters covered their fields across Iowa and throughout the Midwest, delaying planting and drowning crops already in the ground.

3. Weak U.S. Dollar

Since 2000, the dollar has depreciated by 28 percent as measured by the U.S. Dollar Index, which is comprised of six major currencies (Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, and Swiss Franc). The U.S. dollar is the currency in which international grain trade is conducted. This means that commodity prices are, on average, 28 percent lower for these importers than they would be if the value of the dollar had remained constant during this period.

4. Slower Growth in Production vs. Rapid Growth in Demand

The average annual growth rate in the production of grains and oilseeds has slowed from 2.2 percent per year in the 1970s and 80s, to only 1.3 percent since 1990. USDA projects further declines in the next 10 years.

5. Additional Livestock Requires More Grain

As the demand for meat rises, especially from fast-developing countries like China and India, the demand for grain and protein feeds grows at an even faster rate.

6. Weather

Multi- and single year droughts in Australia, the Black Sea states, Russia and Canada reduced wheat, barley and rapeseed production. As mentioned, the recent catastrophic floods in Iowa and other Midwestern U.S. states could drive up prices even further.

7. Export Curbs

During recent months, there has been a pattern of increasing export tariffs and decreasing import tariffs on grains and oilseeds. For example, Russia extended a grain export tariff from April 30 to July 1.

In addition, they have banned the four members of the Commonwealth of Independent States from re-exporting Russian grain to third countries. The pattern we are witnessing is one of keeping domestic production off the global market, while at the same time lowering barriers for the import of grains and oils.

8. Inventories

Surplus stocks are low. U.S. wheat stocks are at the lowest in 60 years, and also global wheat stocks are forecast to be the lowest in 30 years.

Clearly, everyone in this business is operating in a challenging environment. CME Group plays a highly visible role as the venue where buyers and sellers come together to set the prices – that, in turn, serve as benchmarks for the world.

However, with rising food prices, questions have been raised about the role of speculation in agriculture markets. We provide an important public service because we operate a free market that permits risk transfer from hedgers to speculators in an open, transparent and regulated marketplace. CME Group is a neutral facilitator of transactions. We do not profit from higher food or energy prices, increased volatility or speculation.

Our core philosophy is to operate free markets that foster price discovery and the hedging of economic risks in a transparent and regulated environment.

Over the next two days, we will discuss what is needed for agricultural businesses in Africa to reach their full potential. As we do, we must consider the role that derivatives play in offering agribusinesses and farmers valuable pricing, hedging and risk-management tools.

Derivatives markets are essential adjuncts to fueling further economic growth in developing countries. To do this successfully they will need to develop local markets, as well as have access to global ones such as CME Group's.

Throughout our history, our primary concern has always been maintaining the integrity of the markets: access and transparency are paramount. The same is true today.

To my earlier statement that these are the best of times and the worst of times to be in agriculture, I would add that these are the most exciting times to be in our business. Despite some of the current challenges and uncertainties, the agriculture commodities market is growing. And from all indications, it will continue to expand well into the future – bringing new opportunities to all of us.

Thank you.