

Special Executive Report

S-7800R

November 23, 2016

Amendments to the Soybean Meal Futures Contract

(This SER supersedes SER-7800 dated November 22, 2016 and is being issued to correct the Soybean Meal Approved Delivery Locations and Differentials table, which incorrectly listed Owensboro, KY as being located in the Central territory. No other changes have been made to the original SER.)

Effective on Wednesday, December 14, 2016, for trade date Thursday, December 15, 2016, and pending all relevant CFTC regulatory review periods, The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will implement amendments to the Soybean Meal Futures contract (the "Contract") (CME Globex Code: ZM; Clearing Code: 06, Rulebook Chapter 13).

Previously, the Exchange temporarily delisted the July 2019, October 2019, and December 2019 Soybean Meal Futures contract months (see SER 7589 dated February 8, 2016). Effective for trade date Thursday, December 15, 2016, those previously delisted contract months will be listed for trading. Effective concurrently and pursuant to the Contract's regular listing schedule, the Exchange's will also list additional months pursuant to the Contract's existing rules.

Therefore, effective for trade date Thursday, December 15, 2016, the following new contract months will be listed and available for trading: January 2019, March 2019, May 2019, July 2019, August 2019, September 2019, October 2019, December 2019, July 2020, October 2020, and December 2020.

Previously, the Exchange advised that it was in the process of conducting customer outreach program that may result in recommended amendments to the Contract's specifications. As a result of that program, the Exchange will implement amendments to the Contract terms and conditions beginning with the January 2019 contract as described below:

1. The protein content of domestically grown soybeans has been decreasing as soybean production has shifted north and west. The cash market for soybean meal has evolved predominantly to a protein specification under the Exchange's 48.0% protein minimum. As a result, the Exchange will adjust the protein specification down one-half of one percent: par will be 47.5% protein, with delivery without penalty or rejection down to 47.0%.
2. The locational differentials are usually updated via an automatic adjustment mechanism ("AAM") that spans from September of one year through August of the following year, with changes implemented with the January contract that follows the AAM results in August. However, the mechanism does not trigger unless there are an average of 150 outstanding shipping certificates during the AAM calculation period, and that threshold has not been met for several years. In an effort to keep up with trends in the cash market, the Exchange will update the locational differentials to: Central at par, Northeast at a \$3.00 per ton premium, Mid South at a \$9.50 per ton premium Missouri at par, Eastern Iowa at a \$6.00 per ton discount, and Northern at a \$7.00 per ton discount. This is a one-time update that will commence with the January 2019 contract. Until implementation, the AAM will continue to trigger changes annually if the minimum number of outstanding shipping certificates is met. However, the automatic adjustment mechanism will be suspended from September 2017 through August 2018 since the Exchange will be implementing the updated locational differentials in January 2019.

3. The amount by which the AAM may change locational differentials currently stands at \$0.50 per ton per year¹. To reflect the growth in soybean meal cash prices since the implementation of this rule, this amount will increase to \$1.00 per ton. Therefore, the Exchange will amend the amount by which any territory differential may change in a given year to \$1.00 per ton.
4. The state of Kentucky, currently part of the Central territory, will move into the Northeast Territory. This change will see the Central territory comprised of Illinois, while the Northeast Territory will be comprised of the states of Indiana, Ohio, and Kentucky.

The table below summarizes the aforementioned amendments.

Specification	All contract months prior to January 2019 (currently listed)	All contract months commencing with January 2019 and beyond (to be listed effective December 15, 2016)
Quality	Par at 48.0% with delivery without penalty or rejection down to 47.5%	Par at 47.5% with delivery without penalty or rejection down to 47.0%
Locational Differentials	Central: Par Northeast: +\$2.00 Mid-South: +\$9.50 Missouri: +\$3.50 Eastern Iowa: -\$2.00 Northern: -\$2.50	Central: Par Northeast: +\$3.00 Mid-South: +\$9.50 Missouri: Par Eastern Iowa: -\$6.00 Northern: -\$7.00
Automatic Adjustment Mechanism	Change can trigger a \$0.50 move in locational differentials	Change can trigger a \$1.00 move in locational differentials
Territory Boundaries	Central: Illinois & Kentucky Northeast: Indiana & Ohio	Central: Illinois Northeast: Kentucky, Indiana & Ohio *Other territories remain unchanged

Amendments to CBOT Chapter 13 are noted below in blackline format.

**CBOT
Chapter 13
SOYBEAN MEAL FUTURES**

13101. CONTRACT SPECIFICATIONS

(FOR ALL CONTRACT MONTHS PRIOR TO JANUARY 2019)

The contract grade for delivery on futures contracts made under these Rules shall be Soybean Meal in bulk which conforms to the following specifications:

48% Protein Soybean Meal, produced by conditioning ground soybeans and reducing the oil content of the conditioned product by the use of hexane or homologous hydrocarbon solvents. Standard specifications are:

Protein	minimum 48.0%
Fat	minimum 0.5%

¹ The AAM can currently change an individual territory's delivery differential by \$0.50 per ton. However, the mechanism always maintains the Central Territory at par. If the mechanism triggers a change in the Central Territory, instead of adjusting the Central Territory differential, the mechanism changes all of the other territory differentials by \$0.50 per ton. Thus, the maximum that an individual territory can change in a given year currently is \$1.00 per ton per year (\$0.50 on its own and another \$0.50 from the Central Territory). The Rule update will increase that maximum to \$2.00 per ton per year (\$1.00 on its own and another \$1.00 from the Central Territory).

Fiber	maximum 3.5%
Moisture (when shipped by Processor)	maximum 12.0%

It may contain a non-nutritive inert, non-toxic conditioning agent to reduce caking and improve flowability in an amount not to exceed that necessary to accomplish its intended effect, but in no case to exceed 0.5%. The name of the conditioning agent must be shown as an added ingredient.

Testing methods shall be those approved by the Association of Official Analytical Chemists and American Oil Chemists Society.

13101. CONTRACT SPECIFICATIONS

(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2019 AND BEYOND)

The contract grade for delivery on futures contracts made under these Rules shall be Soybean Meal in bulk which conforms to the following specifications:

47.5% Protein Soybean Meal, produced by conditioning ground soybeans and reducing the oil content of the conditioned product by the use of hexane or homologous hydrocarbon solvents. Standard specifications are:

Protein	minimum 47.5%
Fat	minimum 0.5%
Fiber	maximum 3.5%
Moisture (when shipped by Processor)	maximum 12.0%

It may contain a non-nutritive inert, non-toxic conditioning agent to reduce caking and improve flowability in an amount not to exceed that necessary to accomplish its intended effect, but in no case to exceed 0.5%. The name of the conditioning agent must be shown as an added ingredient.

Testing methods shall be those approved by the Association of Official Analytical Chemists and American Oil Chemists Society.

13105. SAMPLING

(FOR ALL CONTRACT MONTHS PRIOR TO JANUARY 2019)

The official sample will be taken at origin by Automatic Mechanical Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966) or Pneumatic Probe Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966). Shipper shall, on the next business day after loading, mail a portion of the official sample in an airtight container properly identified to the owner at an address specified by the owner when he submits loading orders.

Any shipment testing 12.5% moisture or less based on an official sample shall not be subject to rejection or penalty on account of moisture content. Penalty for excess moisture:

Excess moisture two times delivered market price on date of shipment for excess moisture from 12% to 13% and 2½ times delivered market price on date of shipment for excess moisture above 13%.

Any shipment testing no more than 0.3% of fiber above the fiber specification (based on official sample adjusted to 12% moisture) shall not be subject to rejection or penalty on account of fiber content. When the amount of fiber exceeds 3.8% (based on official sample adjusted to 12% moisture), the shipment shall be discounted 1.0% of the delivered market price on date of shipment for each 0.1% fiber in excess of 3.5%.

Any shipment of Soybean Meal testing within 0.5% of protein below 48% protein (basis official sample moisture 12.0% or less; protein to be calculated on 12.0% moisture basis if official sample moisture exceeds 12.0%) shall not be subject to rejection or penalty on account of protein content. Protein deficiency claims shall be settled between the parties on the basis of two times the delivered market price per unit of protein on date of shipment and shall be calculated on the same moisture basis as for protein rejection.

If the owner's analysis of the official sample indicates a quality deficiency, the owner shall submit his analysis and claim in writing to the shipper within 30 days after arrival of the car. The shipper shall, within five (5) business days, after receipt of the owner's analysis and claim, report his analysis of the official sample to the owner. In the event that the owner and the shipper do not reach agreement on analysis and/or settlement, the third portion of the official sample shall be sent to an Official Chemist and his analysis will be binding upon both parties for final settlement. The expense of the analysis will

be borne by the party in error.

If the owner and the shipper cannot agree that the official sample is representative of the shipment, a representative sample shall be obtained at destination by a disinterested qualified person mutually agreed upon by the owner and shipper. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The official procedure for sampling at destination shall be the Pneumatic Probe Sampler. (A.O.C.S. Method BA 1-38, Rev. 1966) and the sample shall be submitted to an Official Chemist. The results of his analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the owner if the owner insists on destination sampling and analysis unless the shipper has failed to take an official sample at origin, in which event, the expense of taking and analyzing the destination sample shall be borne by the shipper.

13105. SAMPLING

(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2019 AND BEYOND)

The official sample will be taken at origin by Automatic Mechanical Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966) or Pneumatic Probe Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966). Shipper shall, on the next business day after loading, mail a portion of the official sample in an airtight container properly identified to the owner at an address specified by the owner when he submits loading orders.

Any shipment testing 12.5% moisture or less based on an official sample shall not be subject to rejection or penalty on account of moisture content. Penalty for excess moisture:

Excess moisture two times delivered market price on date of shipment for excess moisture from 12% to 13% and 2½ times delivered market price on date of shipment for excess moisture above 13%.

Any shipment testing no more than 0.3% of fiber above the fiber specification (based on official sample adjusted to 12% moisture) shall not be subject to rejection or penalty on account of fiber content. When the amount of fiber exceeds 3.8% (based on official sample adjusted to 12% moisture), the shipment shall be discounted 1.0% of the delivered market price on date of shipment for each 0.1% fiber in excess of 3.5%.

Any shipment of Soybean Meal testing within 0.5% of protein below 47.5% protein (basis official sample moisture 12.0% or less; protein to be calculated on 12.0% moisture basis if official sample moisture exceeds 12.0%) shall not be subject to rejection or penalty on account of protein content. Protein deficiency claims shall be settled between the parties on the basis of two times the delivered market price per unit of protein on date of shipment and shall be calculated on the same moisture basis as for protein rejection.

If the owner's analysis of the official sample indicates a quality deficiency, the owner shall submit his analysis and claim in writing to the shipper within 30 days after arrival of the car. The shipper shall, within five (5) business days, after receipt of the owner's analysis and claim, report his analysis of the official sample to the owner. In the event that the owner and the shipper do not reach agreement on analysis and/or settlement, the third portion of the official sample shall be sent to an Official Chemist and his analysis will be binding upon both parties for final settlement. The expense of the analysis will be borne by the party in error.

If the owner and the shipper cannot agree that the official sample is representative of the shipment, a representative sample shall be obtained at destination by a disinterested qualified person mutually agreed upon by the owner and shipper. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The official procedure for sampling at destination shall be the Pneumatic Probe Sampler. (A.O.C.S. Method BA 1-38, Rev. 1966) and the sample shall be submitted to an Official Chemist. The results of his analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the owner if the owner insists on destination sampling and analysis unless the shipper has failed to take an official sample at origin, in which event, the expense of taking and analyzing the destination sample shall be borne by the shipper.

13106. SHIPPING PLANTS

(FOR ALL CONTRACT MONTHS PRIOR TO JANUARY 2019)

Soybean Meal Shipping Certificates shall specify shipment from one of the plants currently regular for delivery and located in the Central Territory, Northeast Territory, Mid South Territory, Missouri Territory,

Eastern Iowa Territory, or Northern Territory as defined in this Rule.

The Exchange may declare additional shipping plants regular for delivery which shall apply on all contracts outstanding or made thereafter.

SHIPPING PLANTS

- (a) All loadings of Soybean Meal against Soybean Meal Shipping Certificates shall be in bulk free on board railroad cars at shipping plants.
- (b) Payment for Shipping Certificates issued in the Central Territory (i.e. shipping plants located in Illinois and Kentucky) will be at contract price.
- (c) Payment for Shipping Certificates issued in the Northeast Territory (i.e. shipping plants located in Indiana and Ohio) will be at a premium of \$2.00 per ton over contract price.
- (d) Payment for Shipping Certificates issued in the Mid South Territory (i.e. shipping plants located in all of Tennessee and Arkansas and that part of Mississippi and Alabama north of a line extending eastward from the Arkansas and Louisiana border) will be at a premium of \$9.50 per ton over contract price.
- (e) Payment for Shipping Certificates issued in the Missouri Territory (i.e. shipping plants located in Missouri) will be at a premium of \$3.50 per ton over contract price.
- (f) Payment for Shipping Certificates issued in the Eastern Iowa Territory (i.e. shipping plants located in Iowa on and South of the main line of the Illinois Central Gulf RR from Dubuque, Iowa to Iowa Falls, Iowa; and on and East of the main line of the Chicago Rock Island RR from Iowa Falls to the Union Pacific RR from Des Moines through Blockton, Iowa) will be made at a discount of \$2.00 per ton under contract price.
- (g) Payment for Shipping Certificates issued in the Northern Territory (i.e. shipping plants located in that portion of Iowa not included in the Eastern Iowa Territory) will be at a discount of \$2.50 per ton under contract price.
- (h) For a given soybean crop year ending August 31 and a given Soybean Meal futures delivery territory except the Central Territory, when the weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT maximum 24 hour Soybean Meal production capacity within that Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is less than or equal to 0.5, payment for Shipping Certificates issued from that territory will be at a premium of \$.50 per ton over contract price in addition to the territorial delivery differential adjustment.
- (i) For a given soybean crop year ending August 31, when the Central Territory's weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to maximum CBOT 24 hour Soybean Meal production capacity within the Central Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is less than or equal to 0.5, payment for Shipping Certificates issued from all other territories will be at a discount of \$.50 per ton under contract price in addition to the territorial delivery differential adjustments.
- (j) For a given soybean crop year ending August 31 and a given Soybean Meal futures delivery territory except the Central Territory, when the weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT maximum 24 hour Soybean Meal production capacity within that Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is greater than or equal to 2.0, payment for Shipping Certificates issued from that territory will be at a discount of \$.50 per ton under contract price in addition to the territorial delivery differential adjustment.
- (k) For a given soybean crop year ending August 31, when the Central Territory's weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT maximum 24 hour Soybean Meal production capacity within the Central Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is greater than or equal to 2.0, payment for Shipping Certificates issued from all other territories will be at a premium of \$.50 per ton over contract price in addition to the territorial delivery differential adjustments.
- (l) Items (h) through (k) of Rule 13106. shall apply to all CBOT Soybean Meal futures contracts delivered during a one calendar year period beginning with January following the soybean crop year ending August 31, provided that there are on a weekly average at least 150 CBOT Soybean Meal Shipping Certificates outstanding in all Soybean Meal delivery territories combined during that previous soybean crop year.

- (m) Based on the adjustments made to territorial delivery differentials during a given calendar year as outlined in items (h) through (l) of Rule 13106., the CBOT shall announce and publish by September 15 of that given calendar year new territorial delivery differentials applicable to all Soybean Meal futures contracts delivered during the next calendar year.

13106. SHIPPING PLANTS

(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2019 AND BEYOND)

Soybean Meal Shipping Certificates shall specify shipment from one of the plants currently regular for delivery and located in the Central Territory, Northeast Territory, Mid South Territory, Missouri Territory, Eastern Iowa Territory, or Northern Territory as defined in this Rule.

The Exchange may declare additional shipping plants regular for delivery which shall apply on all contracts outstanding or made thereafter.

SHIPPING PLANTS

- (a) All loadings of Soybean Meal against Soybean Meal Shipping Certificates shall be in bulk free on board railroad cars at shipping plants.
- (b) Payment for Shipping Certificates issued in the Central Territory (i.e. shipping plants located in Illinois) will be at contract price.
- (c) Payment for Shipping Certificates issued in the Northeast Territory (i.e. shipping plants located in Kentucky, Indiana, and Ohio) will be at a premium of \$3.00 per ton over contract price.
- (d) Payment for Shipping Certificates issued in the Mid South Territory (i.e. shipping plants located in all of Tennessee and Arkansas and that part of Mississippi and Alabama north of a line extending eastward from the Arkansas and Louisiana border) will be at a premium of \$9.50 per ton over contract price.
- (e) Payment for Shipping Certificates issued in the Missouri Territory (i.e. shipping plants located in Missouri) will be at contract price.
- (f) Payment for Shipping Certificates issued in the Eastern Iowa Territory (i.e. shipping plants located in Iowa on and South of the main line of the Illinois Central Gulf RR from Dubuque, Iowa to Iowa Falls, Iowa; and on and East of the main line of the Chicago Rock Island RR from Iowa Falls to the Union Pacific RR from Des Moines through Blockton, Iowa) will be made at a discount of \$6.00 per ton under contract price.
- (g) Payment for Shipping Certificates issued in the Northern Territory (i.e. shipping plants located in that portion of Iowa not included in the Eastern Iowa Territory) will be at a discount of \$7.00 per ton under contract price.
- (h) For a given soybean crop year ending August 31 and a given Soybean Meal futures delivery territory except the Central Territory, when the weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT maximum 24 hour Soybean Meal production capacity within that Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is less than or equal to 0.5, payment for Shipping Certificates issued from that territory will be at a premium of \$1.00 per ton over contract price in addition to the territorial delivery differential adjustment.
- (i) For a given soybean crop year ending August 31, when the Central Territory's weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to maximum CBOT 24 hour Soybean Meal production capacity within the Central Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is less than or equal to 0.5, payment for Shipping Certificates issued from all other territories will be at a discount of \$1.00 per ton under contract price in addition to the territorial delivery differential adjustments.
- (j) For a given soybean crop year ending August 31 and a given Soybean Meal futures delivery territory except the Central Territory, when the weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT maximum 24 hour Soybean Meal production capacity within that Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is greater than or equal to 2.0, payment for Shipping Certificates issued from that territory will be at a discount of \$1.00 per ton under contract price in addition to the territorial delivery differential adjustment.
- (k) For a given soybean crop year ending August 31, when the Central Territory's weekly (as of Friday) cumulative average ratio of outstanding Soybean Meal Shipping Certificates to CBOT

maximum 24 hour Soybean Meal production capacity within the Central Soybean Meal futures delivery territory, relative to that ratio for the combined remaining Soybean Meal territories, is greater than or equal to 2.0. payment for Shipping Certificates issued from all other territories will be at a premium of \$1.00 per ton over contract price in addition to the territorial delivery differential adjustments.

- (l) Items (h) through (k) of Rule 13106. shall apply to all CBOT Soybean Meal futures contracts delivered during a one calendar year period beginning with January following the soybean crop year ending August 31, provided that there are on a weekly average at least 150 CBOT Soybean Meal Shipping Certificates outstanding in all Soybean Meal delivery territories combined during that previous soybean crop year.
- (m) Based on the adjustments made to territorial delivery differentials during a given calendar year as outlined in items (h) through (l) of Rule 13106., the CBOT shall announce and publish by September 15 of that given calendar year new territorial delivery differentials applicable to all Soybean Meal futures contracts delivered during the next calendar year.

SPECIAL NOTICES RELATED TO CHAPTER 13

(FOR ALL CONTRACT MONTHS PRIOR TO JANUARY 2019)

Soybean Meal Approved Delivery Locations and Differentials

DELIVERY TERRITORY DIFFERENTIALS*
Plant Locations
Central Territory: PAR
Bloomington, IL
Cairo, IL
Decatur, IL
Gilman, IL
Quincy, IL
Owensboro, KY
Northeast Territory: \$2.00
Bellevue, OH
Claypool, IN
Decatur, IN
Delphos, OH
Fostoria, OH
Frankfurt, IN
Lafayette, IN
Morristown, IN
Mt. Vernon, IN
Sidney, OH
Midsouth Territory: \$9.50
Decatur, AL
Guntersville, AL
Stuttgart, AR
Missouri Territory: \$3.50
Kansas City, MO
Deerfield, MO
Mexico, MO
St. Joseph, MO
Eastern Iowa Territory: (\$2.00)
Des Moines, IA
Iowa Falls, IA
Northern Territory: (\$2.50)
Eagle Grove, IA

DELIVERY TERRITORY DIFFERENTIALS*
Plant Locations
Council Bluffs, IA
Emmetsburg, IA
Manning, IA
Mason City, IA
Sergeant Bluff, IA
Sheldon, IA
Sioux City, IA

* Differentials enclosed by parentheses () are discounts.

SPECIAL NOTICES RELATED TO CHAPTER 13

(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2019 AND BEYOND)

Soybean Meal Approved Delivery Locations and Differentials

DELIVERY TERRITORY DIFFERENTIALS*
Plant Locations
Central Territory: PAR
Bloomington, IL
Cairo, IL
Decatur, IL
Gilman, IL
Quincy, IL
Northeast Territory: \$3.00
Bellevue, OH
Claypool, IN
Decatur, IN
Delphos, OH
Fostoria, OH
Frankfurt, IN
Lafayette, IN
Morristown, IN
Mt. Vernon, IN
Owensboro, KY
Sidney, OH
Midsouth Territory: \$9.50
Decatur, AL
Guntersville, AL
Stuttgart, AR
Missouri Territory: PAR
Kansas City, MO
Deerfield, MO
Mexico, MO
St. Joseph, MO
Eastern Iowa Territory: (\$6.00)
Des Moines, IA
Iowa Falls, IA
Northern Territory: (\$7.00)
Eagle Grove, IA
Council Bluffs, IA
Emmetsburg, IA
Manning, IA
Mason City, IA
Sergeant Bluff, IA

DELIVERY TERRITORY DIFFERENTIALS*
Plant Locations
Sheldon, IA
Sioux City, IA

* Differentials enclosed by parentheses () are discounts.

Please refer questions on this subject to:

Research & Product Development

Alison Coughlin

Alison.Coughlin@cmegroup.com

312 338 7171

Fred Seamon

Fred.Seamon@cmegroup.com

312 634 1587

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.