



Special Executive Report

DATE: April 13, 2023

SER#: 9178

SUBJECT: Amendments to Rule 1305. ("Sampling") to Reduce the Rejection Threshold for Protein Content of the Soybean Meal Futures Contract

Effective trade date May 1, 2023, and pending all relevant CFTC regulatory review periods, The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will amend Rule 1305. ("Sampling") of the Soybean Meal Futures contract (CME Globex Code: ZM; Clearing Code: 06, Rulebook Chapter: 13) (the "Contract") to amend the rejection threshold for protein content of the Contract commencing with the January 2024 contract month and beyond.

Specifically, the Exchange is implementing the Rule Amendments such that the protein threshold of the Contract at which buyers may reject loadouts will be reduced from 47.0 percent to 46.0 percent. Currently, soybean meal testing below 47 percent protein may be rejected by the buyer, and if not rejected, subject to discount. Pursuant to the Rule Amendments, soybean meal loaded out that tests below 47.0 percent protein will still be subject to discount, but load-outs at or above 46.0 percent protein and below 47.0 percent protein will not be subject to rejection. The Rule Amendments are consistent with activity in the related cash market which rarely, if ever, experiences product rejection based on protein content.

The Rule Amendments shall take effect in the new crop year following the expiration of the December 2023 contract month. Thus, all load-outs occurring in the 2023 calendar year will follow current protein rejection rules, and all load-outs beginning on January 2, 2024 and beyond will follow the amended protein rejection rules. The Rule Amendments are provided in Exhibit A and Exhibit B below in blackline format.

Note: [CBOT Rule 13105. \("Sampling"\)](#) of the Contract will state, in part:

"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. Any shipment of Soybean Meal testing below 47.0% and equal to or above 46.0% 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. Protein deficiency claims for any shipment of Soybean Meal testing below 47.0% protein 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."

A buyer receiving a shipment of soybean meal testing between 46.0 and 47.0 percent protein can submit a protein deficiency claim for two times the market price per unit of protein below 47.5 percent.

For example, suppose a soybean meal shipment from a cancelled shipping certificate tests 46.5 percent protein and the market price per unit of protein on the date of shipment is \$325 per ton. The penalty shall be:

Market Price per Unit of Protein: $\$325/47.5 = \6.84

Two Times the Market Price per Unit of Protein: $\$6.84 * 2 = \13.68

Two Times the Market Price per Unit of Protein below Spec = $\$13.68 * 1 = \13.68

In this scenario, the certificate owner could submit a deficiency claim to the warehouseman for \$13.68 per ton.

Questions regarding the aforementioned may be directed to:

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Alison Coughlin	312-338-7171	Alison.Coughlin@cmegroup.com

Exhibit A

CBOT Rulebook (additions underscored)

(Effective May 1, 2023)

Chapter 13 **Soybean Meal Futures**

13105. SAMPLING

(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING DECEMBER 2023)

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.

13105. SAMPLING

(FOR ALL CONTRACT MONTHS COMMENCING WITH JANUARY 2024)

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

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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. **Any shipment of Soybean Meal testing below 47.0% and equal to or above 46.0% 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.** Protein deficiency claims for any shipment of Soybean Meal testing below 47.0% protein 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.

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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.

[End of Rule.]

Exhibit B

CBOT Rulebook

(additions underscored; deletions struck-through)

(Effective January 2, 2024)

Chapter 13 Soybean Meal Futures

13105. SAMPLING

(FOR ALL CONTRACT MONTHS UP TO AND INCLUDING DECEMBER 2023)

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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. Any shipment of Soybean Meal testing between 47.0% and 46.0% 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 but shall be subject to protein deficiency claims 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.

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[End of Rule.]