



## Special Executive Report

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S- 6237R

June 11, 2012

### Increased Storage Charges Proposed for CBOT Rough Rice Futures

**Note: This SER replaces SER S-6237 issued on June 4, 2012.**

Pending CFTC approval, the CBOT plans to increase the maximum storage charge that an approved regular rice warehouse may charge holders of its outstanding warehouse receipts from 34/100s of one cent per hundredweight per day (approximately 10 cents per hundredweight per month) to 42/100s of one cent per hundredweight per day (approximately 12.5 cents per hundredweight per month) effective **November 18, 2012**.

Substantial support exists to implement increased storage charges as quickly as possible to improve contract convergence. Crop insurance projected prices and harvest prices are determined using CBOT Rough Rice futures, which makes regular convergence important to rice producers. However, given the proximity of the September 2012 - November 2012 spread relative to financial full carry, many market participants have voiced a preference for implementation beyond the November 2012 contract expiration. As a result of significant customer feedback following the issuance of SER S-6237, implementation is now planned for November 18, 2012 pending CFTC approval.

During the first quarter of 2012, CME Group held 15 individual meetings with market participants, held an industry meeting attended by over 75 people, and conducted a market survey of the industry. This outreach indicated widespread support for increased maximum storage charges in the Rough Rice market to improve convergence between cash and futures prices at futures contract expiration. Additionally, storage charges have been constant since the contract's introduction in Chicago in the mid 1980s.

Less defined support currently exists for extending the Rough Rice futures delivery territory to the Mississippi River and changing the delivery instrument from a warehouse receipt to a shipping certificate. CME Group has decided not to pursue delivery territory expansion and shipping certificates at this time, but will likely revisit those issues in the future.

Questions may be directed to Fred Seamon at 312.634.1587 or [Fred.Seamon@cmegroup.com](mailto:Fred.Seamon@cmegroup.com).

The proposed change is below with deletions [~~bracketed with strikethrough~~] and additions **bold and underlined**.

### **17108. STORAGE CHARGES**

Storage charges on rough rice shall not exceed such charges as have been filed with the Exchange in accordance with Rule 17109.A. (which shall be designed to cover costs of storage, insurance and taxes).

No rough rice warehouse receipts shall be valid for delivery on futures contracts unless the storage charges shall have been paid up to and including the 18th day of the preceding month and such payment endorsed on the rough rice warehouse receipt. Unpaid accumulated storage charges at the posted tariff applicable to the warehouse where the rough rice is stored shall be allowed and credited to the buyer by the seller to and including the date of delivery. If storage charges up to and including the 18th calendar day preceding the delivery months of March, July and September and are not paid by the first calendar day of any such delivery month, a late charge will apply. The late charge will be an amount equal to the total unpaid accumulated storage charges multiplied by the "prime interest rate" in effect on the day that the accrued storage charges are paid, all multiplied by the number of calendar days that storage is overdue divided by 360 days. The term "prime interest rate" shall mean the lowest of the rates announced by each of the following four banks at Chicago, Illinois, as its "prime rate": Bank of America-Illinois, JP Morgan Chase & Co., Harris Trust & Savings Bank and the Northern Trust Company.

Storage on rough rice shall not exceed [~~34/100~~] **42/100** of a cent per hundredweight per day. Regular Rough Rice warehousemen shall maintain in the immediate vicinity of the Exchange either an office, or a duly authorized representative or agent which is a registered clearing member of the Exchange, to whom Rough Rice storage charges must be paid.