

FREQUENTLY ASKED QUESTIONS

Delivery and Load-Out Information and FAQ for CBOT's Physically-Delivered Corn and Soybean Futures Contracts During the Planned July through October 2020 Lock Closures on the Illinois River

Delivery in The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") Corn and Soybean futures contracts is along a 403-mile section of the Illinois and Mississippi Rivers from terminals in Chicago, IL and Burns Harbor, IN south to St. Louis. [CBOT Rulebook Chapter 7](#) establishes barge load-out procedures that apply when grain transportation is adversely affected on the Illinois River.

Rule 703.C.G.(8). establishes load-out procedures for issues that adversely affect a delivery facility's ability to load including load-out procedures for officially announced closures that affect a minority of delivery facilities.

Rule 703.C.G.(9) establishes load-out procedures for officially announced closures that affects a majority of delivery facilities for a period of 15 days or longer.

Below are some frequently asked questions and answers around planned maintenance and closure of some locks on the Illinois River in 2020.

What lock closures are currently planned for 2020?

The Illinois Waterway includes eight lock and dam sites that are overdue for significant repairs. In order to facilitate repairs, the U.S. Army Corps of Engineers, Rock Island District developed a consolidated repair schedule that included a short closure to locks in 2019 followed by two extended closures in 2020 and 2023. The closures are scheduled to take place simultaneously to mitigate impact to commercial navigation as much as possible.

All lock and dam facilities on the Illinois Waterway have a single lock chamber for passing vessels. During the scheduled closures, no vessels will be able to pass through closed locks. An exception to this restriction could occur at the LaGrange and Peoria locks if water levels become high enough that the wicket portions of the dams could be lowered for open-pass, allowing vessels to pass around the dam without using the lock. There is no guarantee river levels will be sufficiently high during the closures to permit passage around the dam. Navigation on the rest of the river and between the locks will not be impacted by the closures.

Which locks are impacted?

LaGrange Lock and Dam	Major Rehabilitation & Lock Machinery Replacement	Full closure scheduled July 1-Sept. 30
Peoria Lock and Dam	Dewatering for Maintenance and Inspection	Full closure scheduled July 6 - Sept. 30
Starved Rock Lock and Dam	Upper & Lower Miter Gate Installation	Full closure scheduled July 1-Oct. 29
Marseilles Lock and Dam	Upper Miter Gate Installation	Full closure scheduled July 6-Oct. 29
Dresden Island	Upper Bulkhead Recess Installation – Locks operational from 6 p.m. to 6 a.m. with a 70-ft width restriction and no ability to pull unpowered barges.	Partial Closure scheduled July 6-Oct. 3 and Oct. 25-Oct. 28 Full Closure scheduled Oct. 4-Oct. 24

Projects and dates listed on this schedule are subject to change due to river levels and project funding. For the latest schedules and information, please refer to the U.S. Army Corps of Engineers Rock Island District Website, [available here](#).

Will CBOT Corn and Soybean futures delivery facilities be impacted?

Yes, a number of approved Corn and Soybean delivery facilities will be upriver from the planned closures. A list of CBOT grain and oilseed delivery facilities, including all Corn and Soybean facilities is [available here](#).

Does the Exchange have alternative load-out procedures under this scenario?

If the current plans of the U.S. Army Corps of Engineers come to fruition with lock closures on the Illinois River, the Exchange anticipates one of the following:

- If there is no open pass at the La Grange and Peoria locks, then a majority of delivery facilities will be upriver from the closures, and the affected facilities will load-out in accordance with CBOT Rule 703.C.G.(9), or
- If there is open pass at the La Grange and Peoria locks then a minority of delivery facilities will be upriver from the closures and the affected facilities will load-out in accordance with CBOT Rule 703.C.G.(8). (see '**What happens if there is open-pass at LaGrange and Peoria, does this change the alternative load-out procedures?**' provided further below).

Will the impacted facilities be able to deliver new shipping certificates before and during the planned closures?

Yes. All delivery facilities, even those upriver from the planned closures, will be able to register and deliver new shipping certificates both before and during the planned closures.

Will takers of shipping certificates issued from affected facilities be able to re-deliver these certificates?

The Exchange will not restrict delivery or re-delivery of shipping certificates issued from affected facilities before, during, or after the closures.

Will takers of outstanding shipping certificates issued from affected facilities have to pay premium (storage) charges during the closure?

Yes.

Will takers of shipping certificates issued from affected facilities be able to load-out during the closure?

Yes, subject to the procedures established in [CBOT Rulebook Chapter 7](#). CBOT Rule 703.C.G.(9) establishes contingency load-out specifications when there is a planned river closure that lasts for 15 days or more and a majority of approved delivery facilities are affected.

If there is no open-pass at the La Grange and Peoria locks, a majority of facilities will be upriver from the closures. If a taker of shipping certificates at one of these affected facilities cancels these certificates for load-out, the taker and shipper may mutually agree on agreeable terms of performance.

Failing a mutual agreement, the shipper must apply loaded barge(s) to the taker on the Illinois River between the lowest closed lock and St. Louis, inclusive, or on the Mid-Mississippi River between Lock 11 at Dubuque, Iowa and St. Louis, inclusive. All barges must be billed C.I.F. NOLA.

Can shippers supply floating barges?

Yes. In addition, mid-Mississippi floating barges may have been loaded at locations upriver from Lock 11 but must be located between Lock 11 and St. Louis, inclusive when applied to the buyer. All floating barges must be applicable and have official inspection certificates, the cost of which lies with the taker.

Instead of floating barges, can an affected shipper load barges instead?

Yes, the shipper may load barges at another location below the obstruction on the Illinois River or on the Mississippi River and bill the barges C.I.F. NOLA. When the barges are applied, they must be between the lowest closed lock and St. Louis, inclusive or on the Mid-Mississippi River between Lock 11 and St. Louis, inclusive. These barges must have official inspection certificates and may be loaded at non-regular facilities.

Is there an age limit on barges that may be applied?

Yes, barges must have an original bill of lading date within four (4) calendar days of the date that they are applied. For example, for a barge to be applied on August 10, 2020, the original bill of lading date needs to be August 6, 2020 or later.

How about cadence?

The shipper must apply barges at the futures loading rate for the issuing facility or faster. That is, if the facility from which certificates were issued has a loading rate of 2 barges per day, the shipper must apply at least two barges per day starting on the third business day following certificate cancellation.

Since the shipper is providing C.I.F. NOLA barges at load-out, is there any freight compensation for the shipper?

Per CBOT Rule 703.C.G.(9)(b), the taker is responsible for compensating the shipper barge freight from the issuing facility to New Orleans, LA. This is designed to ensure the value of the load-out, which will have barge freight paid to NOLA, is compensated back to the original issuing location.

How will barge freight be calculated?

USDA-AMS publishes weekly southbound barge freight in their weekly [Transportation Report](#). During the closure we expect there will be no new data for the upper Illinois River; in that case the effective rate during the closure will be the Mid-Mississippi rate as reported in the USDA-AMS Transportation Report.

Could you provide an example of how barge freight is calculated?

Assume a corn load-out from Zone 3 on the Illinois River, which runs from Ottawa, IL to Chillicothe, IL. The corn tariff benchmark for Zone 3 is 507 cents per ton. Assume barge freight is 420 percent of tariff. The freight under this scenario from Zone 3 to NOLA is 59.6232 cents per bushel:

$(420 * 507) / 100 = 2,129.40$ cents per ton

$2,129.40 / 2,000 = 1.0647$ cents per pound

$1.0647 * 56 = 59.6232$ cents per bushel.

Is there any way to avoid providing C.I.F. NOLA barges to meet load-out obligations?

Both counterparties may agree to alternative terms of performance in accordance with CBOT Rule 703.C.G.(9)(a).

What happens if there is open-pass at LaGrange and Peoria; does this change the alternative load-out procedures?

Yes. With open-pass at LaGrange and Peoria, and provided barge lines are navigating these pools, the lowest Illinois River obstruction becomes Starved Rock Lock. Fewer than 50 percent of delivery facilities in Corn and Soybean futures lie above Starved Rock, so CBOT Rule 703.C.G.(9) would not apply. Instead, CBOT Rule 703.C.G.(8) will apply for outstanding certificates delivered from facilities above Starved Rock. Rule 703.C.G.(8) requires issuers of affected certificates to arrange for barges to be loaded at another regular shipping station not affected by (i.e., below) the closure. The shipper is compensated for transportation differences resulting from the change in the location of shipping in accordance with the Rule. For example, suppose there are shipping certificates outstanding at Peru, IL that the taker cancels for load-out. Further suppose that the shipper loads these certificates out in St. Louis. Peru, IL shipping certificates deliver at a 6.25 cent premium while St. Louis, MO shipping certificates deliver at a 16.25 cent premium. In this example, the taker would compensate the shipper 10 cents per bushel (16.25 minus 6.25).

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