



**U.S. COMMODITY FUTURES TRADING
COMMISSION**

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Office of the Secretariat

December 3, 2008

Stephen M. Szarmack
Director and Associate General Counsel
Chicago Board of Trade
20 South Wacker Drive
Chicago, IL 60606

Subject: Approval of additional delivery locations, seasonal storage premiums and allowable vomitoxin level changes to the Chicago Board of Trade (CBOT) Wheat futures contract.

Dear Mr. Szarmack:

The Chicago Board of Trade (CBOT or Exchange) has requested prior Commission approval of proposed amendments to its Wheat futures contract pursuant to Section 5c(c) of the Act and Commission Regulations 40.4 and 40.5. The proposals were submitted in correspondence dated September 5, 2008, October 28, 2008, and November 26, 2008.¹ The proposed amendments will:

- add three (3) new delivery locations, including a 12-county area in NW Ohio at a discount of 20 cents per bushel; a territory along the Ohio River from Cincinnati to Mississippi at par; and a territory along the Mississippi River from St. Louis to Memphis at a 20 cents per bushel premium;
- increase storage fees to eight (8) cents per bushel from five (5) cents per bushel for the period from July 18 through December 17;
- reduce the vomitoxin level for par delivery to 2 parts per million (ppm) from 3 ppm and establish a discount for wheat with 3 and 4 ppm at rates of 12 and 24 cents per bushel, respectively.

The Exchange intends to make the amendments with respect to the additional delivery territories and seasonal premium rates effective for existing and newly listed contract months

¹ The proposal amends rules 703.A, 703.C, 14104, 14105, 14106, 14108, 14109.B and 14110.A.

beginning with the July 2009 contract month; and with respect to the lower par vomitoxin level effective for newly listed contract months beginning with the September 2011 contract month.

Commission staff has analyzed the proposed amendments and believes that, in the whole, the amendments have the potential to dramatically increase economically-available deliverable supplies, delivery capacity and the number of shipping certificate issuers for the futures contract, and thus should reduce the contract's overall susceptibility to manipulation. Accordingly, the proposed amendments comply with the requirements of the Commodity Exchange Act and were approved by the Commission pursuant to Section 5c(c)(3) of the Act.

Nevertheless, the Commission notes that, in proposing the amendments, the Exchange indicated that these amendments were intended to address a problem of contract performance, particularly the periodic failure of futures prices to converge with cash prices. However, many industry participants have expressed to the Commission considerable uncertainty as to the underlying causes of the convergence problem, and whether the CBOT's proposed amendments alone will accomplish the desired objective of achieving consistent convergence. Accordingly, the Commission intends to ask its Agricultural Advisory Committee to further study the causes and potential remedies to the performance problems of the CBOT Wheat contract. The Commission would welcome the Exchange's active cooperation with that effort.

Sincerely,

A handwritten signature in black ink that reads "David A. Stawick". The signature is written in a cursive, slightly slanted style.

David Stawick
Secretary to the Commission