Agricultural Advisory Committee

U.S. Commodity Futures Trading Commission
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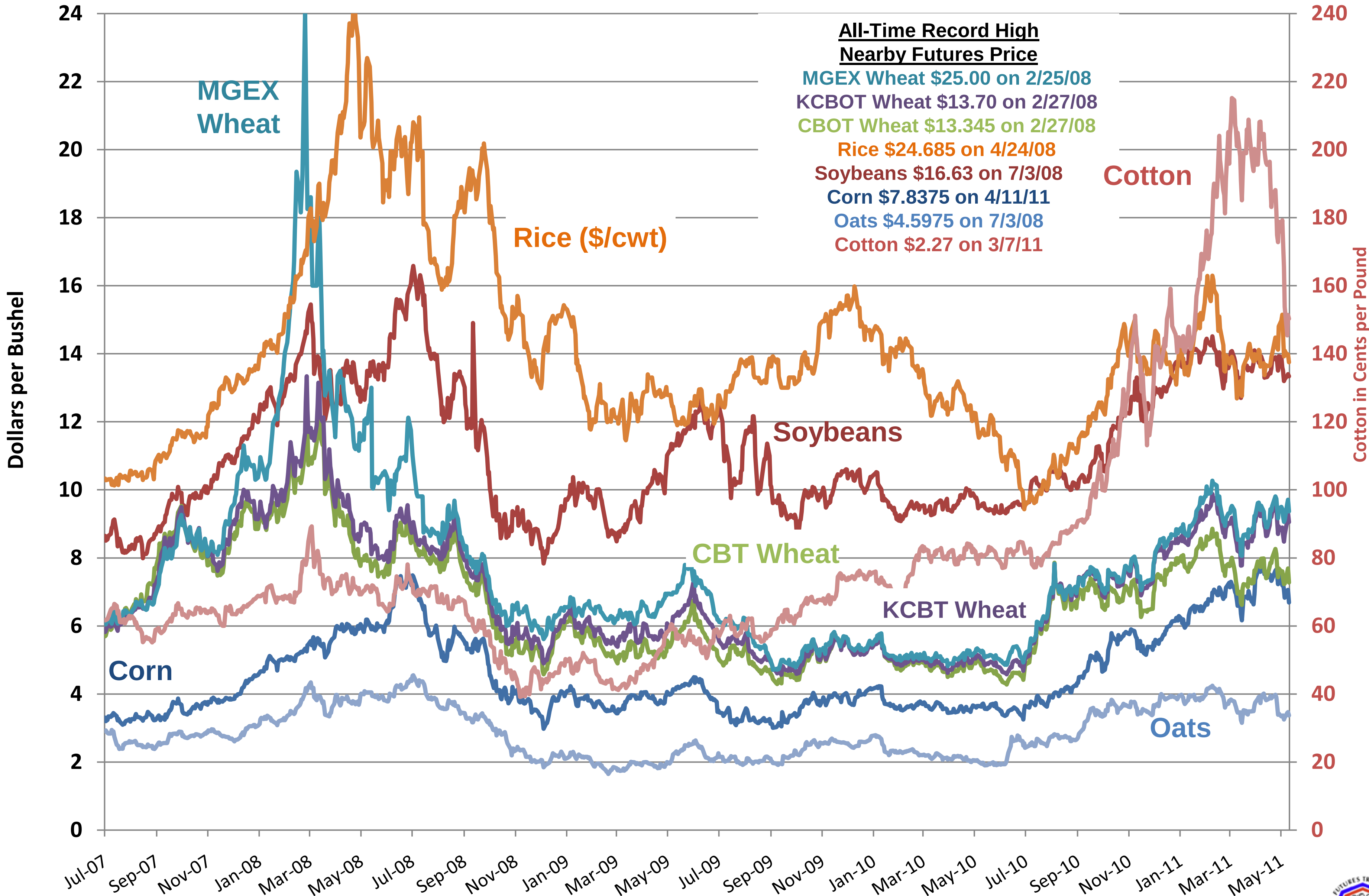
Agricultural Contracts Market Surveillance Branch

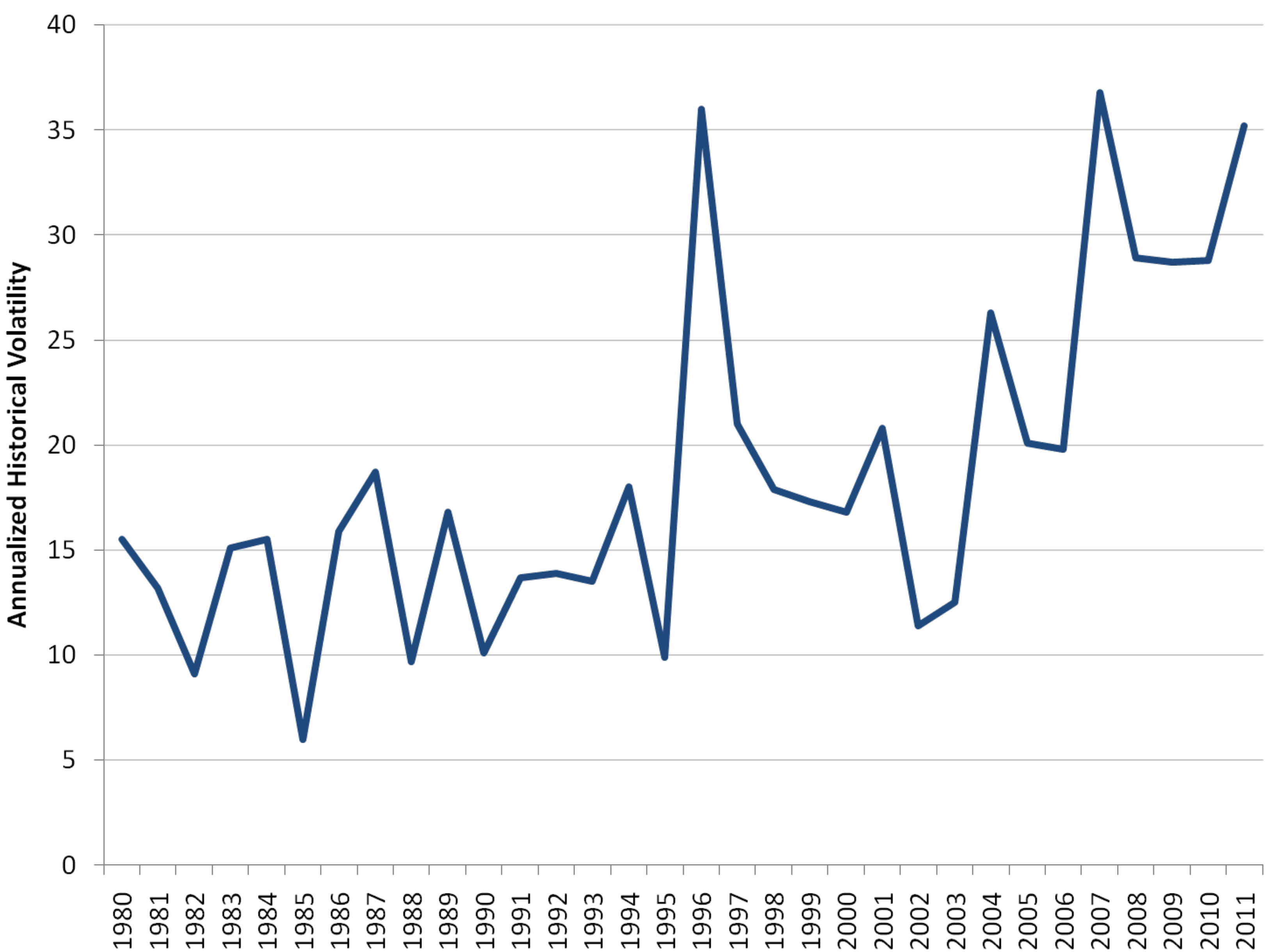
May 19, 2011

Major U.S. Agricultural Futures Prices



Source: FutureSource

Corn Historical Volatility in April



Crop Planting Progress and Conditions

Planting Progress	Last Week	5-Yr. Average
Corn	63% (East CB 35%; West CB 85%)	75%
Soybeans	22%	31%
Rice	69%	83%
Spring Wheat	36%	76%
Oats	69%	91%
Crop Condition	**Last Week**	**5-Yr. Average**
Winter Wheat	Poor/Fair 45% Good/Ex. 32%	8% 68%
Range and Pasture	Poor/Fair 22% Good/Ex. 48%	9% 64%

Mississippi Watershed

Initial Agricultural Impact

A. Barges are not allowed to move south of Natchez, MS. No grain vessel loading for awhile. Could cost 10s of millions of $ per day.

B. Farm Bureau estimates 2 million acres of farm land in Arkansas, Tennessee, and Mississippi flooded or under flood threat.

C. Arkansas rice acreage loss near 300,000 acres (21% AR, 10% US acres); loss of $300 million in rice production.

D. Between Arkansas, Louisiana and Missouri, a potential 40% reduction from last year's planted rice acreage.

E. Arkansas Winter Wheat: 120,000 acres of 550,000 planted will be abandoned

F. Arkansas Cotton: reduced yield losses projected at $66 million

G. As Morganza Spillway is opened - 3 million acres will be flooded

Flooding Impact on CBOT Wheat Load-out

CME Special Executive Report S-5742 May 2, 2011
Flooding on the Mississippi and Ohio Rivers

Due to recent weather and flooding along the river system, a majority of the shipping stations on the Mississippi River, Ohio River and St. Louis area are not able to load barges for wheat at this time.

Excerpt from *CBOT Rule 703.C.G(8)* *If the aforementioned condition of impossibility prevails at a majority of regular shipping stations, then shipment may be delayed for the number of days that such impossibility prevails at a majority of regular shipping stations.*

- If load-out is requested, maker and taker may negotiate acceptable alternatives.

Convergence Overview

A. What does the CFTC mean by Convergence?

B. Convergence is core to the mission of the CFTC.

C. Convergence problems alert the regulators to contract specification issues.

D. Basis tends to deteriorate at Calendar Spread Full carry.

Side-Effects of Poor Convergence

A. Price Discovery Weakened

B. Hedge Effectiveness Hampered

C. Potential for Market Manipulation

D. Forward Contracting Reduced

E. Agriculture Lending Credit Crunch

F. Crop Insurance Program Problems

Recent & Upcoming Contract Amendments

CBOT WHEAT

July 2009: expand delivery territory, quality specs, and storage rate.
September 2009: vomitoxin of 3 ppm for par delivery.
July 2010: Variable Storage Rate mechanism implemented.
September 2011: vomitoxin of 2 ppm for par delivery.

KCBT WHEAT

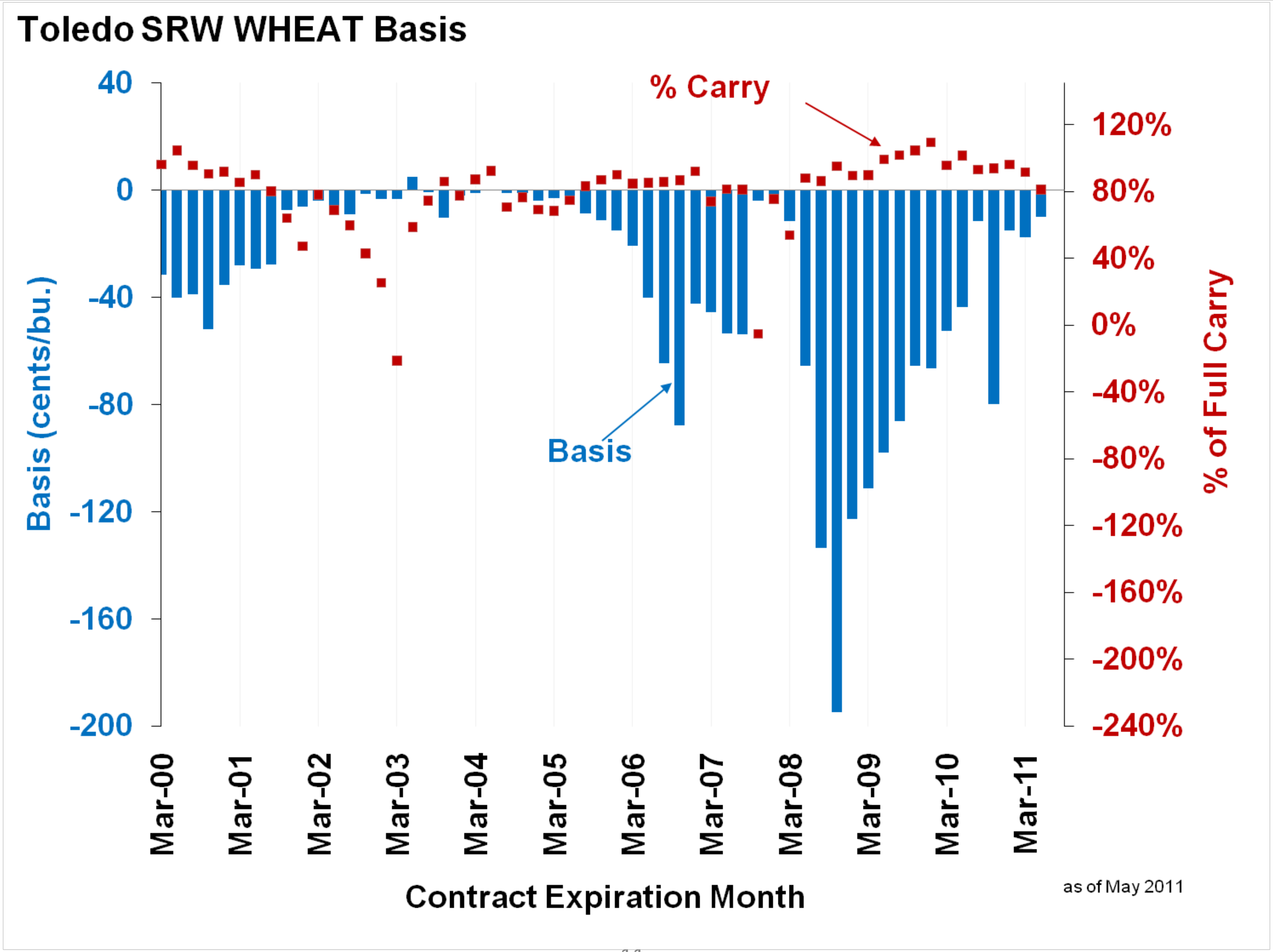
September 2011

- increase the base storage rate 30% to 6 cents
- institute a harvest premium storage rate of 9 cents
- require monthly payment of storage
- establish a par protein level of 11% (10.5% deliverable at a discount)
- tighten specifications on vomitoxin

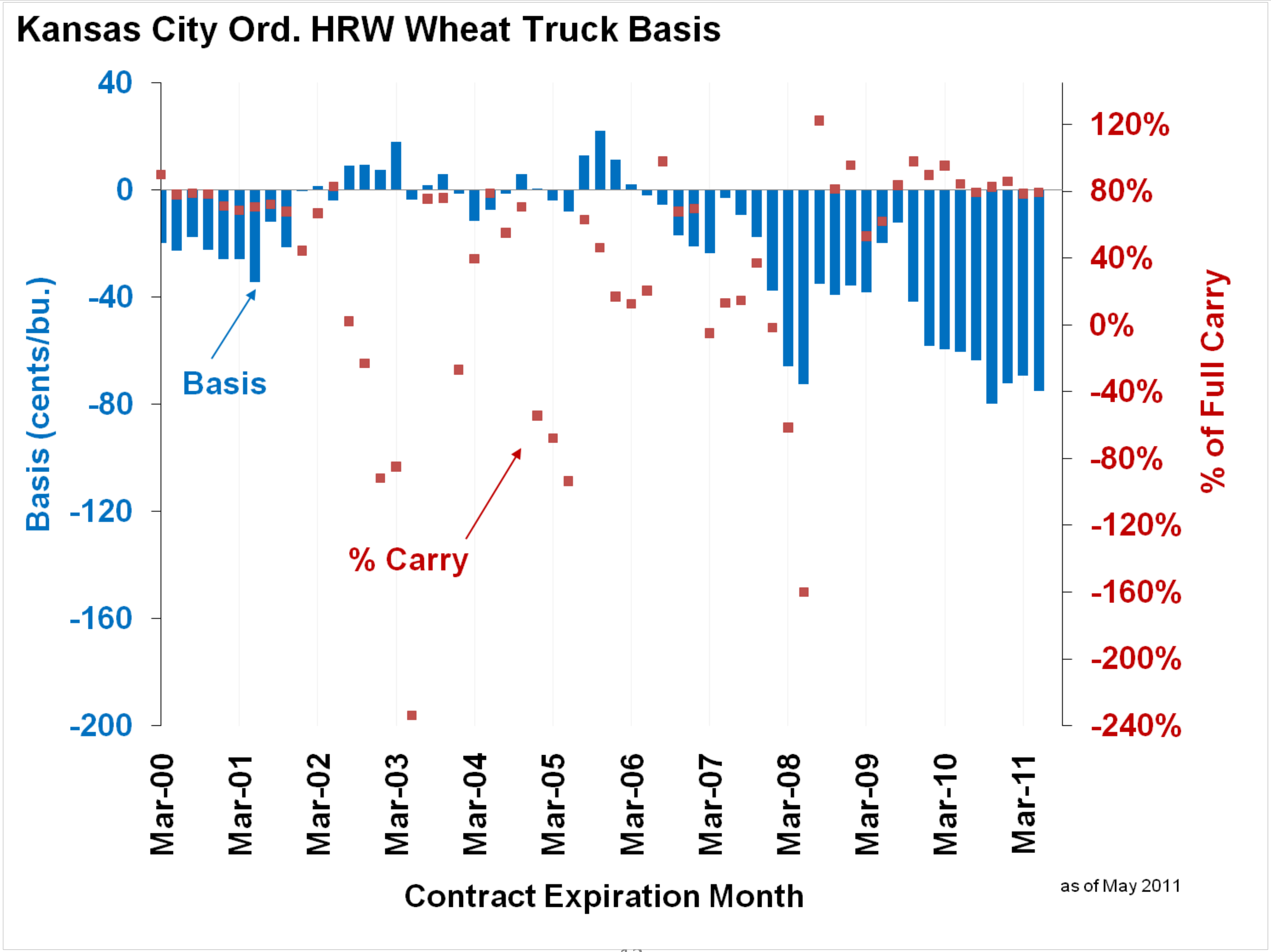
CBOT RICE

September 2011: fix milling yield differentials to % of loan rate

CBOT SRW WHEAT CONVERGENCE



KCBOT HRW WHEAT CONVERGENCE



CBOT ROUGH RICE CONVERGENCE