

Greetings,

As all of you are well aware the "basis" situation makes the rice futures almost worthless as a pricing tool and hedging tool. You are probably not aware that the Chicago Mercantile Exchange (CME) is considering changes to the futures contract that would bring "convergence" (cash price and futures price coming together). These changes are outlined in the attached letter. This is how ARGA understands how these changes would affect you as a farmer:

The first change won't affect farmers' storage rates, just rates charged on warehouse receipts via the exchange in hopes that the receipts will move quicker forcing more rice to move which would discourage stagnant markets (like we have now).

The second will expand the delivery point against the board forcing convergence with the cash market and expanding the competition in rice by allowing more players in the game by opening up the river for delivery.

The shipping certificates change would limit the amount of rice a firm can hold via the board by storage and loading capacity.

The attached letter is a request for comments. We encourage you to comment. We suggest you make the following points in your comment.

1. I am a rice farmer in Arkansas who depends on the rice futures market for planting, marketing, and financing decisions. The rice futures market is an important factor in equipment, seed, and fertilizer purchases.
2. The lack of convergence in the rice futures market makes it difficult to use the market as a price signal or hedging tool. The wide basis also makes it more difficult for congress to craft farm policy and a farm bill when rice is the only commodity that has such a vast difference between cash and futures prices.
3. I support all three of the hypothetical changes the CME is considering. I think these changes are important to return the CME rice futures to relevance.

Please send your comments to [fred.seamon@cmegroup.com](mailto:fred.seamon@cmegroup.com) before **Tuesday March 13th**. The comment period has been extended to that date.

**It is important that you comment. Do not depend on your "rice industry" to support these changes.**

Below please find a letter sent to the CME from Win Coleman, an ARGA board member.

The Arkansas Rice Growers Association is an association of farmers run by farmers. ARGA is the ONLY group in Arkansas that exclusively represents farmers.

-ARGA

From: Win Coleman  
Date: March 10, 2012 1:08:46 PM CST  
To: "fred.seamon@cmegroup.com"  
Subject: Rice futures contract  
Dear Mr. Seamon,

My name is Win Coleman I am a rice farmer from Cord, AR. As a young farmer in today's market place futures hedging needs to be a critical tool in every farmers marketing strategy. The rice futures complex isn't working for the farmer. I have tried this contract to hedge my crop on two different occasions with catastrophic results due to the lack of convergence with cash price. The lack of convergence allows for a large amount of gray area into the true value of rice which in turn makes a farmer like myself question marketing decisions and search for the true value of my crop that I have invested on the upwards of \$800 an acre. Most rice farmers are heavily invested in the crop due to the amount of machinery involved that doesn't really cross over to other crops and the land we farm has been sculpted for rice production first so our lively hood depend on rice and getting the real value for our crop. The marketing process each year is where a farmer can make a profit or not, so a functioning futures contract that can be used as a marketing tool will only help each of us out hear trying to make the best crop as well as do the best at marketing that crop. I believe that all three changes need to be implemented to revive a struggling industry that has been split in part due to the lack of convergence.

Thanks,  
Win Coleman