

Chapter 54S Nonfat Dry Milk-Spot Call

54S00. SCOPE OF CHAPTER

This chapter is limited in application to cash trading of nonfat dry milk. Any aspects of the procedures for trading, inspection, delivery, dispute, resolution and settlement that are not specifically covered herein shall be governed by the rules of the Exchange.

54S01. COMMODITY SPECIFICATIONS

The nonfat dry milk shall be free flowing and manufactured using the spray process with a low heat treatment classification. It shall not show less than 6.0 milligrams undenatured whey protein nitrogen per gram. On the day of sale, the nonfat dry milk shall be less than 180 days old. All nonfat dry milk shall be certified Kosher by a Rabbinical Service that provides Kosher classification. The methods of analysis shall be those specified by the USDA.

All nonfat dry milk sold on the Exchange shall have been produced in facilities that at the time of production have been surveyed and approved by the Grading Service of the USDA and are on the eligible list of that Service.

54S01.A. Definitions

1. The "spot call" is the procedure for trading and delivering nonfat dry milk as more fully set forth in this chapter.
2. The "day of sale" is the day on which trading on the spot call is conducted.
3. A "carlot" consists of between 42,000 and 45,000 pounds, gross weight, of nonfat dry milk which must be manufactured on or before the day of sale. No carlot shall consist of more than 2 sublots and each carlot shall be manufactured by a single plant.

54S01.B.-C. [Reserved]

54A01.D. Grades

1. Grade A

Nonfat dry milk sold as Grade A shall, at the time of production, have been produced in a facility that has a sanitation rating of at least 90 as evidenced in the "Sanitation Compliance and Enforcement Ratings of Interstate Milk Shippers" (IMS List) from the US Department of Health and Human Services-Public Health Service/Food and Drug Administration.

Nonfat dry milk sold as Grade A shall have a butterfat content of not more than 1.25% and a moisture content of not more than 4.00%. Its titratable acidity shall be not more than 0.15% and its solubility index shall be not more than 1.2 milliliters. It shall have a bacterial estimate of not more than 30,000 per gram and coliform of less than 10 per gram. Its scorched particle content shall be not more than 15.0 per gram.

2. Extra Grade

Nonfat dry milk sold as Extra Grade shall conform to the requirements of that grade as established by the USDA.

54S01. E.-I. [Reserved]

54S02. SPOT CALL

54S02.A. Trading Schedule

Contracts shall be scheduled for trading and delivery during such hours and days as may be determined by the Board.

54S02.B. Price Fluctuations ¹

The minimum price fluctuation shall be \$.0025 per pound.

The first posted bid (offer) of each trading session shall not be more than \$.01 higher (lower) than the last market price noted for the previous session. Subsequent bids (offers) that would establish

¹ Revised November 1998; May 1999; January 2000.

or change the market price for the current session, or any responses to posted offers (bids) higher (lower) than the last market price, shall be made in price increments not to exceed \$.01 per pound from the last market price.

54S02.C. Posting Bids and Offerings¹

A spot load can only be sold in the spot market when, at the time of offering, the seller has documented possession/ownership of a deliverable load.

54S02.D. Quantities Bid and Offered

An offer to sell or bid to buy more than one carlot may be accepted in part or in full.

54S02.E. [Reserved]

54S02.F. Contract Modifications

All deliveries must conform to government regulations in force at time of delivery. If any federal governmental agency issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules.

54S03. SETTLEMENT PROCEDURES²

54S03.A. Seller's Duties³

1. The seller shall, by 3:00 p.m. (Chicago time) on the first business day after the day of sale, provide details about the nonfat dry milk to the buyer, on a form prescribed by the Exchange. Copies of the documents shall be submitted to the Clearing House within the same time period. The seller shall also, by 3:00 p.m. (Chicago time) on the day of sale, deliver directly to the Market Regulation Department a CME form detailing the identity of the seller.
2. The seller shall, by 3:00 p.m. (Chicago time) on the day of tender, which shall be the third business day after the day of sale, deliver to the Clearing House the following:
 - a. A copy of a tender notice in the form prescribed by the Exchange.
 - b. A USDA grading certificate, if any, indicating that the carlot grades equal to or better than the grade specified by the terms of sale, and a Certificate of Analysis. The requirements of this section (54S03.A.2.b.) will be met if the information necessary to effect delivery is communicated to the Exchange by the seller prior to 3:00 p.m. (Chicago time) on the day of tender and if the USDA grading certificate, if any, and Certificate of Analysis is sent the same day by mail.

The Certificate of Analysis shall show the results of the tests for fat and moisture content, titratable acidity, solubility, bacterial estimate, coliform, scorched particles, flavor, yeast and mold, grade, heat process, salmonella and whey protein nitrogen.
 - c. Any other documentation required by the President.
3. The nonfat dry milk shall be loaded on pallets, stretch-wrapped in plastic and shipped as directed by the buyer. If the buyer has provided transportation and there is not a full pallet exchange, within two business days after removal of the nonfat dry milk, seller shall invoice the buyer for the remainder and send a copy of such invoice to the Exchange.

54S03.B. Buyer's Duties⁴

The buyer shall, by 3:00 p.m. (Chicago time) on the day of sale, deliver to the CME Market Regulation Department a CME form detailing the identity of the buyer. The buyer shall deliver shipping and routing instructions as well as any request for a USDA Grading Certificate, to the seller by 3:00 p.m. (Chicago time) on the second business day after the day of sale. Copies of the instructions and USDA grading request shall be submitted to the Clearing House within the same time period.

The buyer shall be responsible for arranging and providing transportation. However, if both parties agree, transportation may be provided by the seller.

¹ Revised September 2007.

² Revised November 1998.

³ Revised October 2003, May 2008.

⁴ Revised October 2003, May 2008.

The buyer shall make payment by wire transfer of same day funds to the seller's clearing firm in the amount due as shown by the seller's tender notice by 3:00 p.m. (Chicago time) on the fourth business day after the day of sale. The seller shall deliver the documents to the buyer upon receipt of the buyer's payment.

54S03.C. Exchange's Responsibilities

1. The Exchange shall maintain records of the purchases and sales on the spot call and provide a forum for the resolution of disputes as they may fall within the rules of the Exchange.
2. CME Clearing House shall, by 3:00 p.m. (Chicago time) on the third business day after the day of sale prepare an invoice that specifies the date and price of sale. The freight differential, if any, shall be credited to the buyer on the invoice.

54S04. DEVIATIONS AND ALLOWANCES

54S04.A.-B. [Reserved]

54S04.C. Weight

The delivered carlot may vary between 42,000 and 45,000 pounds in gross weight. Payment shall be made on the basis of the exact net weight delivered.

54S04.D. Delivery Points¹

Delivery may be made only from approved plants or approved warehouses within the 48 contiguous states. Par delivery of nonfat dry milk shall be made from approved warehouses or approved plants in Chicago. Deliveries made from approved warehouses or approved plants outside of Chicago shall be subject to a freight allowance determined by the Exchange as follows: up to 400 miles outside Chicago with a discount of \$.0125 per pound; between 400 and 800 miles outside Chicago with a discount of \$.025 per pound; between 800 and 1200 miles outside of Chicago with a discount of \$.0325 per pound; between 1200 and 1600 miles outside Chicago with a discount of \$.040 per pound; and beyond 1600 miles outside Chicago with a discount of \$.055 per pound. The allowance shall be calculated on the net weight delivered.

54S05. PACKAGING²

The nonfat dry milk shall be packaged in multiwall paper bags of 25 kilogram net capacity. The bag shall be constructed of a minimum of 3 walls of flat or extensible kraft paper and a minimum 2.0 mil (guaranteed) low density polyethylene food grade liner. The outermost ply shall be wet-strength paper. The total basis weight of the walls of paper shall be a minimum of 180 pounds when flat kraft is used and 160 pounds when extensible paper is used. All bags shall show the name and location of the manufacturing plant, the USDA plant number, the manufacturer's lot and subplot number, net weight, the date of manufacture, the grade, and that the heat treatment classification is low heat.

The closure for the bag shall meet one of the two following descriptions:

1. The bottom and top closures of the bag shall be closed by sewing through all walls of the outer bag with 12/6 needle and 12/5 cotton looper thread, or a comparable strength or with a single thread chain stitch with a 12/6 thread. The stitches shall be spaced 3.0 to 3.6 to the inch and not less than 3/8 inch and not more than 3/4 inch from the top and bottom ends of the bag. The stitches along the bottom and top of the bag shall be covered with not less than 70-pound basis weight flat extensible or low stretch creped kraft tape.
2. The bottom and top of the bag shall be closed to provide a tight seal using hot-melt or thermoplastic adhesive applied along the top edge of the long side of the bag extending downward at least 1-3/8 inches. The fold line of the closure shall be 1-5/8 inches plus or minus 3/8 inch below the top edge of the long side of the bag. The outer wall of the bag shall be stepped at the bottom and top foldover flap beyond all inner walls in order to provide a positive seal over the ends of the inner walls.

¹ Revised November 1998, May 2008.

² Revised May 2008.

54S06. [RESERVED]**54S07. GRADING¹****54S07.A. General**

The seller has the right to call for a USDA grading prior to the time of sale, in which case the certificate shall note that the grading was made for the Exchange. Alternatively, the seller can order a USDA grading through the Exchange Clearing House.

If the product lacks a valid USDA Grading Certificate at the time of sale, the buyer shall have the right to call for one USDA grading of the carlot at a location selected by the buyer. Failure by the buyer or seller to meet the conditions of Rule 54S07 shall result in forfeiture of the right to compensation for expenses and losses.

Following notification by the buyer, the Clearing House shall promptly request the USDA to conduct the grading at the buyer's location and notify the seller. Grading shall be completed within 16 calendar days of the day of tender.

54S07.B. [Reserved]**54S07.C. Proper Handling by the Seller**

If grading is requested at buyer's location, the seller shall be responsible for loading according to industry practice. The bill of lading shall be prepared by the seller. The seller and the driver shall jointly seal the truck promptly upon completion of loading. The buyer may, at his option, request check loading by the USDA at origin.

54S07.D. Proper Handling by the Buyer

If grading is requested at buyer's location, the buyer shall be accountable for proper handling during transit and storage until the conclusion of the grading at the buyer's location and appeal grading, if any. Upon arrival at the buyer's location, the buyer and the driver shall jointly unseal the truck. The seller may, at his option, request check loading by the USDA at the buyer's location.

54S07.E. Appeal Grading

Following grading at the buyer's location, the Clearing House shall promptly inform the seller of the results. A request may then be made by the seller for appeal grading. Requests for such appeal must be presented to the Clearing House no later than 11:00 a.m. (Chicago time), one business day after notification to the seller of the results of the grading at the buyer's location.

Appeal grading shall be conducted by a grader(s) assigned by the Regional Director of Dairy Inspection and Grading, AMS, USDA. Applications for appeal grading will be accepted or rejected in accordance with AMS regulations. The results of the appeal grading shall be final.

54S07.F. Revocation of Plant Approval²

If upon valid grading at the buyer's location according to these rules, portions of three or more carlots which have been shipped directly from the same manufacturing plant grade lower than the grade sold within a single 12 month period, then the delivery approval of the plant may be revoked. Any nonfat dry milk originating in such plant after the date of such revocation and put into storage shall also be ineligible for delivery on the spot call.

54S08. ASSOCIATED COSTS³**54S08.A. Delivery from Warehouse⁴**

If a USDA Grading Certificate is requested, and it indicates that the product fails to grade equal to or better than the grade specified by the terms of sale, the seller shall be responsible for storage charges until the seller provides the Clearing House with a USDA Certificate indicating that the product grades equal to or better than the grade specified by the terms of sale. At that point, the buyer shall be responsible for storage charges for the remainder of the storage month. The buyer's share shall be computed by dividing the prevailing monthly storage rate by 30, raising the quotient

¹ Revised November 1998.

² Revised November 1998.

³ Revised November 1998.

⁴ Revised November 1998.

to the nearest five cents and multiplying by the number of days remaining until the next expiration date (all months figured as 30 days). Storage charges shall be paid in advance by the seller and the pro rata share due from the buyer shall be added to and shown on the tender notice. All charges for handling prior to the day that the seller provides the Clearing House with a USDA Certificate indicating that the product grades equal to or better than the grade specified by the terms of sale shall be borne by the seller. All charges incurred thereafter shall be borne by the buyer.

54S08.B. Delivery from Plant¹

If the buyer does not remove the nonfat dry milk from the plant of the seller on or before 3:00 p.m. local time on the fifth business day after the day of sale, the buyer shall be obligated to pay \$.005 per pound for each subsequent calendar day, up to and including the day the nonfat dry milk is removed. The seller must, within two business days after removal of the nonfat dry milk, invoice such amounts to the buyer and send a copy of such invoice to the Exchange. The buyer shall make payment to the seller.

Only the original manufacturing plant can deliver the carlot from its plant. If that carlot is to be resold on the Exchange it must be moved to an approved warehouse before it can be sold.

54S08.C. [Reserved]

54S08.D. Costs of Grading and Appeal Grading

The costs of all examinations, documentation and related services performed by the USDA grader for grading at the buyer's location and appeal grading, if any, and the costs of Exchange documentation and related services, such as repackaging after examination, shall be borne by the buyer if the grade for each subplot specified by the terms of sale is upheld, and by the seller if it is not.

54S08.E. Container and Pallet Charges²

Nonfat Dry Milk must be loaded on pallets for shipping. Buyer must arrange for full exchange of pallets or make payments at \$12.50 per pallet.

54S09. SETTLEMENT OF DISPUTES³

All disputes arising from the operation of this Chapter shall be arbitrated under the provisions of the Rules of Chicago Mercantile Exchange Inc.

54S10. EXCHANGE FEES⁴

A fee of \$25.00 per carlot shall be paid to the Exchange by both the buyer and the seller.

54S11. FAILURE TO PERFORM

If the seller fails to deliver at the required time, he shall be in default, except that the President may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, he shall be penalized \$.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The President, in his sole discretion, shall determine such market price by taking account of bona fide sales and quotations on such date including any purchase by the buyer to replace the defaulted delivery.

If the buyer fails to accept delivery, he shall be penalized \$.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the President in the above stated manner. Payment shall be made as above.

Any failure to meet the deadlines set forth within this Chapter, except for Acts of God or Acts of Government, will subject one or both parties to a penalty of \$500 per contract, per calendar day payable to the Exchange at the close of each day. Repeated failure may result in suspension of trading privileges or expulsion for one or both parties.

Sellers or Buyers who submit late, materially incomplete or erroneous delivery information or who

¹ Revised May 2008.

² Revised May 2008.

³ Revised November 2000

⁴ Revised February 2001.

cause material adjustments to delivery information shall be fined \$200 per contract per day, payable to the buyer or seller depending on the party that is harmed.
(End of Chapter 54S)