

Chapter 51S Butter-Spot Call

51S00. SCOPE OF CHAPTER

This chapter is limited in application to cash trading of USDA Grade AA fresh or storage butter. 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.¹

51S01. COMMODITY SPECIFICATIONS

51S01.A. Definitions²

1. The "spot call" is the procedure for trading and delivering cash butter as more fully set forth in this chapter. The day of sale is the day on which trading on the spot call is conducted.³
2. A "carlot" consists of between 40,000 and 43,000 pounds of salted butter in not more than three lots, none under 100 boxes, which may be manufactured by different plants. No carlot shall consist of more than three brand names. The butter must be uniform in color and salt. The butter must be manufactured on or before the date of sale.⁴
3. "Fresh Butter" shall be butter that, on the day of sale, has been in cooler rooms or freezer rooms of approved plants for 15 calendar days or less, or cold storage warehouses for 24 calendar days or less from date of manufacture of the earliest churning in the carlot at temperatures not to exceed 45 degrees Fahrenheit.⁵
4. "Storage Butter" shall be butter that, on the day of sale, has been in cold storage or an approved plant 25 calendar days or longer from the date of manufacture of the earliest churning in the carlot at temperatures not to exceed 45 degrees Fahrenheit. Commencing on the 30th calendar day after the date of manufacture of the earliest churning in the carlot, the butter shall be held at temperatures not to exceed 0 degrees Fahrenheit. Storage butter may not be delivered if the day of sale is later than the 10th business day of the 12th month after the month of manufacture of the earliest churning in the carlot. Effective March 1, 2001, to be eligible for sale on or after March 1 of a given year, the butter shall not have been produced or stored prior to December 1 of the previous year.⁶

51S01.B. [Reserved]

51S02. SPOT CALL⁷

51S02.A. Trading Schedule⁸

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

51S02.B. Price Fluctuations⁹

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 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.

¹ Revised April 1998.

² Revised January 2003.

³ Revised September 1985.

⁴ Revised May 1984; September 1985; May 1997.

⁵ Revised September 1985; November 1995.

⁶ Revised September 1985; November 1995; August 1997; November 1997; December 2000.

⁷ Revised September 1985; December 1998.

⁸ Revised September 1985; September 1998; December 1998.

⁹ Revised September 1985; December 1998; May 1999; January 2000.

51S02.C. Posting Bids and Offerings¹⁰

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.

51S02.D. Quantities Bid and Offered¹¹

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

51S02.E. [Reserved]**51S02.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.

51S03. SETTLEMENT PROCEDURES¹²**51S03.A. Seller's Duties**¹³

1. The seller shall, by 3:00 p.m. (Chicago time) on the day of sale, provide details about the butter, in a manner prescribed by the Exchange, to the buyer.

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 make the butter available for shipment on the day of sale.
3. The seller shall, by 3:00 p.m. (Chicago time) on the day of tender, which shall be the first business day after the day of sale, deliver to the Exchange the following:¹⁴
 - a. A copy of the tender notice in the form prescribed by the Exchange.¹⁵
 - b. A copy of the USDA grading certificate or a copy of the USDA worksheet indicating that the carlot grades USDA grade AA. The seller will deliver to the buyer the USDA grading certificate or a copy of the USDA worksheet.
 - c. Any other documentation required by the President.
4. A keeping quality test shall not be necessary for delivery on the spot call. However, the seller of a Fresh Grade AA carlot warrants that, should a 7-day 72 degree Fahrenheit keeping quality test be completed by the USDA within 14 calendar days of day of tender, the tendered carlot would pass such test. Failure to pass such test, if conducted within the prescribed period, shall result in replacement of the failed churnings by the seller and compensation to the buyer for expenses and losses, according to normal industry practices. If the seller elects to have USDA conduct such test at the time of original inspection, favorable results therefrom shall be conclusive.¹⁶
5. Sellers who submit late, materially incomplete or erroneous delivery forms or who cause material adjustments to delivery forms shall be fined \$200 per contract per day, payable to the buyer.¹⁷

¹⁰ Revised September 1985; April 1998; September 1998; December 1998, September 2007.

¹¹ Revised September 1985.

¹² Revised April 2000.

¹³ Revised September 1998; October 2003. September 2007.

¹⁴ Revised September 1985.

¹⁵ Revised September 1985; March 1999.

¹⁶ Revised September 1985; April 1998.

¹⁷ Adopted December 1996.

51S03.B. Buyer's Duties¹⁸

1. The buyer shall provide details about the butter, in a manner prescribed by the Exchange, to the seller on the day of sale.
2. The buyer shall be responsible for arranging and providing transportation for the butter.
3. The buyer's clearing firm shall make payment by certified check or 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 first business day after the day of tender.¹⁹
4. 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.²⁰

51S03.C. Exchange's Responsibilities²¹

The Exchange shall maintain records of the purchases and sales on the spot call, act solely as a transfer agent to receive and deliver documents as herein provided, and provide a forum for the resolution of disputes as they may fall within the rules of the Exchange. The Exchange does not guarantee performance of any party trading on the spot call.

51S04. DEVIATIONS AND ALLOWANCES²²**51S04.A. Discounts for Frozen and for Storage Butter**²³

If the carlot tendered is fresh butter located in a freezer room, it shall be discounted \$.005 per pound. If the carlot tendered is storage butter located in a cooler room, it shall be discounted \$.005 per pound. If the carlot tendered is storage butter located in a freezer room, it shall be discounted \$.01 per pound.

51S04.B. Discount for In-Plant Delivery²⁴

If the carlot tendered is located in a plant, it shall be discounted \$.03 per pound.

51S04.C. Weight²⁵

The delivered carlot may vary between 40,000 and 43,000 pounds in net weight. Payment shall be made on the basis of the exact weight delivered.

51S04.D. Delivery Points²⁶

Delivery may be made only from approved locations in the contiguous 48 states.

Par delivery of butter 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 \$.010 per pound; between 400 and 800 miles outside Chicago with a discount of \$.020 per pound; between 800 and 1200 miles outside Chicago with a discount of \$.025 per pound; between 1200 and 1600 miles outside Chicago with a discount of \$.030 per pound; and beyond 1600 miles outside Chicago with a discount of \$.040 per pound. The allowance shall be figured on the net weight delivered plus a two pound per box tare.

51S05. PACKAGING²⁷

Butter shall be packaged to conform to the packaging specifications of the Commodity Credit Corporation for bulk butter in force on the date of manufacture, as contained in "Announcement DAIRY-6, Purchase of Bulk Dairy Products", as amended, or in such other document or

¹⁸ Revised September 1985; September 1998; October 2003.

¹⁹ Revised March 1999.

²⁰ Effective January 1998.

²¹ Revised September 1985.

²² Revised September 1985.

²³ Revised September 1985.

²⁴ Adopted January 2003.

²⁵ Revised September 1985; May 1997.

²⁶ Revised September 1985; September 1998.

²⁷ Revised September 1985; January 1993; April 1998; June 2001.

announcement as may supersede this publication. In addition, each carlot shall contain only one type and marked weight of box 25 kilograms or 68 pounds net capacity; all the boxes in a churning shall be consecutively numbered; the butter in each box shall be one solid piece and no bulging or misshapen boxes shall be permitted.

51S06. INSPECTION²⁸**51S06.A. General**

A USDA grading certificate shall not be valid for delivery if the butter has been moved from the location indicated on the certificate. The USDA grading certificate shall indicate state(s) of manufacture. Sample containers shall be drawn randomly in conformance with DA Instruction 918 00 of the Dairy Division, Agricultural Marketing Service (AMS), USDA, or in such other document or announcement as may supersede this publication.²⁹

51S06.B. [Reserved]**51S07. GRADING**³⁰**51S07.A [Reserved]****51S07.B. Grading**

The buyer shall have the right to call for one USDA grading of the carlot at the buyer's destination. Following notification by the buyer, the Clearing House shall promptly request the USDA to conduct the grading at the buyer's destination and notify the seller. Grading at destination shall be completed within 16 calendar days of the day of tender, including completion of a keeping quality test.

Failure of any churning to meet all the requirements of this chapter shall result in replacement of, or reimbursement for, the failed churnings by the seller and compensation to the buyer for expenses and losses. Establishment of losses shall be based on the closing prices of the most recent spot call.³¹

51S07.C. Proper Handling by the Seller

The seller shall be responsible for loading according to industry practice. The bill of lading shall be prepared by the seller and shall provide instructions regarding trailer precooling and temperature maintenance during transit. In addition, the bill of lading shall state the time of completion of loading and shall be signed by the seller and the driver, with the seller retaining one copy and the driver three copies. 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.

51S07.D. Proper Handling by the Buyer

The buyer shall be accountable for proper handling during transit and storage until the conclusion of the grading at destination and appeal grading, if any.

In particular, the truck shall be a properly refrigerated vehicle and shall be cooled prior to loading to a temperature not to exceed 45 degrees Fahrenheit if the butter is fresh and to a temperature not to exceed 0 degrees Fahrenheit if the butter is frozen.

The bill of lading shall state that the truck was properly pre-cooled and that the applicable temperature was maintained throughout transit. Transit time between origin and destination, as evidenced by ICC logs, shall be normal for the weather and other conditions prevailing. Upon arrival at destination, the buyer and the driver shall jointly unseal the truck. The seller may, at his option, request check loading by the USDA at destination.

The driver's copies of the bill of lading shall be endorsed by both the driver and the buyer upon arrival stating the time of arrival at destination, the time unloading commenced and the time unloading was completed. The buyer shall indicate the condition of the butter upon arrival at destination on the bill of lading and the driver shall indicate the place of unloading (i.e. dock, cooler or freezer). The buyer shall keep one copy, the driver one copy and one copy shall be sent by the

²⁸ Revised January 1986, January 1990; April 1999.

²⁹ Revised September 1997; March 1999; April 1999.

³⁰ Adopted January 1990. Revised August 2002.

³¹ Revised April 1998.

buyer to the Clearing House.

The buyer shall be able to produce evidence in the form of affidavits that unloading into proper refrigerated storage with temperatures prevailing as above was prompt and according to normal industry practice. The buyer shall be able to produce evidence in the form of affidavits that storage thereafter until completion of grading at destination and appeal grading, if any, was within applicable temperatures as above and in all other ways conformed to normal industry practice.

Failure by the buyer to meet the conditions of Rule 51S07 shall result in forfeiture of the right to compensation for expenses and losses.

51S07.E. Appeal Grading

Following grading at destination, 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 Chicago Mercantile Exchange Inc. 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 destination.

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.

51S07.F. Revocation of Plant Approval

If upon valid grading at destination according to these rules, portions of three or more carlots from the same manufacturing plant grade lower than USDA Grade AA within a single 12 month period, then the delivery approval of the plant may be revoked. Any butter originating in such plant after the date of such revocation and put into storage shall also be ineligible for delivery on the spot call.

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51S08. ASSOCIATED COSTS

51S08.A. Delivery from Warehouse ³³

The seller shall assume storage charges until 5:00 p.m. on the third business day after the date of tender. The buyer shall be responsible for 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 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 date of tender shall be borne by the seller. All charges incurred thereafter shall be borne by the buyer.

51S08.B. Delivery from Plant ³⁴

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

The original manufacturing plant can only 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.

51S08.C. Costs of Inspection

The costs of all examinations, documentation and related services performed by the USDA grader and the costs of Exchange documentation and related services, such as repackaging after examination, shall be borne by the seller.

51S08.D. Costs of Grading and Appeal Grading

The costs of all examinations, documentation and related services performed by the USDA grader for grading at destination and appeal grading, if any, and the costs of Exchange documentation and

³² Revised April 1998.

³³ Revised September 1985, January 1990.

³⁴ Revised December 1980, September 1985, January 1990; January 2003.

related services, such as repackaging after examination, shall be borne by the buyer if the original grade for each churning is upheld, and by the seller if it is not.

51S08.E. [Reserved]

51S09. SETTLEMENT OF DISPUTES

All disputes arising from the operation of this Rule 51S07, shall be arbitrated under the provisions of Chapter 6, Arbitration, of the Rules of Chicago Mercantile Exchange Inc.

51S10. EXCHANGE FEES ³⁵

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

51S11. FAILURE TO PERFORM ³⁶

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 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 Chapter 51S)

³⁵ Revised February 2001.

³⁶ Revised September 1985, January 1990, September 2007.