

Chapter 151 Frozen Pork Bellies Futures

15100. SCOPE OF CHAPTER

This chapter is limited in application to futures trading of frozen pork bellies. The procedures for trading, clearing, grading, delivery, settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

15101. COMMODITY SPECIFICATIONS

The commodity traded pursuant to this chapter shall consist of Green Square-Cut Clear Seedless Bellies from a federally inspected packing plant. Each belly must bear a United States Department of Agriculture (USDA) Food Safety and Inspection Service inspection legend, except if the belly has been exempted by USDA from this requirement.

15102. FUTURES CALL ¹

15102.A. Trading Schedule

Futures contracts shall be scheduled for trading and delivery during such hours and in such months as may be determined by the Board.

15102.B. Trading Unit

The unit of trading shall be 40,000 pounds.

15102.C. Price Increments

Minimum price fluctuations shall be by multiples of \$.00025 per pound.

15102.D. Daily Price Limits^{2 3}

There shall be no trading at a price more than \$.020 or \$.030 or \$0.045 per pound above or below the previous day's settlement price, as described below.

The regular daily price limit shall be set at the beginning of each calendar quarter based upon the settlement price of the contract nearest to expiration on the last business day of the prior calendar quarter. If the contract nearest to expiration settles at a price below \$.600 per pound on that day, the regular daily price limit for all contracts shall be \$.020 per pound for the following quarter. If the contract nearest to expiration settles at a price equal to or above \$.600 per pound on that day, the regular daily price limit for all contracts shall be \$.030 for the following quarter.

If the contract nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, except on the last trading day for the contract nearest to expiration in which case the contract second nearest to expiration shall serve the purposes of this rule, then, on the next business day, the daily price limit for all contracts shall be raised to 150% of the regular daily price limit applicable to that day.

If the contract nearest to expiration does not settle at a limit bid or limit offer without regard to market direction when the daily price limit has been raised to 150% of the regular daily price limit, except on the last trading day for the contract nearest to expiration in which case the contract second nearest to expiration shall serve the purposes of this rule, then, on the next business day, the daily price limits for all contracts shall revert to the regular daily price limit applicable to that day.

15102.E. Position Limits ⁴

No person shall own or control more than:

1. 1,000 contracts net long or short in all contract months combined;
2. 800 contracts long or short in any contract month;

¹ Daily trading limits eliminated August 4, 1978.

² Revised April 1976; October 1996; March 1999; July 2001; March 2003.

³ Daily trading limits eliminated August 4, 1978.

⁴ Revised November 1981; February 1987; February 1988. Revised February 14, 1992, for the May 1992 and subsequently listed futures and options contracts. Revised February 1994; August 1994; December 1996; May 1998; February 1999, February 2005.

3. 100 contracts long or short in the expiring contract month as of the close of business on the first business day following the first Friday of the contract month;
4. As of the close of business on the sixth business day following the first Friday of the contract month, no person shall own or control more than the number of contracts long or short in the expiring contract month as described in the list below:

<u>Deliverable Supply</u>	<u>Position Limits</u>
500 or more	75 contracts
499 to 400	50 contracts
399 or less	25 contracts

For purposes of this rule, "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported in the CME Clearing House Department's weekly report immediately preceding the first Friday of each expiring contract.

5. As of the close of business on the business day immediately preceding the last 3 days of trading, no person shall own or control more than the number of contracts long or short in the expiring contract month as described in the list below:

For the July and August contract months only:

<u>Deliverable Supply</u>	<u>Position Limits</u>
300 or more	25 contracts
299 or less	10 contracts

For all other contract months except July and August:

<u>Deliverable Supply</u>	<u>Position Limits</u>
200 or more	25 contracts
199 or less	10 contracts

For purposes of this rule, "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported in the CME Clearing House Department's weekly report immediately following the first Friday of each expiring contract month.

For positions involving options on Frozen Pork Bellies futures contracts, this rule is superseded by the option speculative position limit rule.

15102.F. Accumulation of Positions ¹

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

15102.G. Exemptions ²

The foregoing position limits shall not apply to bona fide hedging positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and rules of the Exchange and shall not apply to other positions exempted pursuant to Rule 559.

15102.H. Termination of Trading ³

Futures trading shall terminate on the business day immediately preceding the last three business days of the contract month.

15102.I. Contract Modifications

Specifications shall be fixed as of the first day of trading of a contract except that all deliveries must conform to government regulations in force at the 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, and all open and new contracts shall be subject to such government orders.

¹ Revised September 1986.

² Revised May 1979; September 1988; September 2001.

³ Revised February 1994; August 1994.

15103. SETTLEMENT PROCEDURES

In addition to the procedures and requirements of Chapter 7, the following shall specifically apply to the delivery of pork bellies:

15103.A.-B. [Reserved]**15103.C. Delivery Days ¹**

Delivery may be made on any business day of the contract month, except that delivery may not be made prior to the second business day following the first Friday of the contract month.

15103.D. Seller's Duties

At time of delivery, the seller must furnish a producer certification or other written evidence satisfactory to the Clearing House manager that the bellies were fresh or fresh freezer accumulated (FFA), and not over 15 days old at time of shipment from plant to approved warehouse. Such evidence or other certification plus a bill of lading (or photo copy thereof) must accompany regular delivery documents.

Received weights are to be recorded by the receiving warehouse on the itemization of weight sheets which shall show total net weight, lot number, name of warehouse, location and date stored. A copy thereof, certified by the warehouse, shall be furnished by the seller on delivery in lieu of the official weight certificate.

At time of delivery of in-plant inspected pork bellies, the seller shall furnish a producer certificate or other written evidence satisfactory to the Clearing House manager that the bellies were fresh cut not over 48 hours at the time specified in the original order for in-plant grading.²

15103.E. - H. [Reserved]**15104. PAR DELIVERY AND SUBSTITUTIONS****15104.A. Par Delivery³**

A par delivery unit is 40,000 pounds of 14/16 pound pork bellies shipped from one federally inspected packing plant in the United States which upon inspection shows 100 or less minor defects. The unit may contain bellies from hogs which have been slaughtered at one or more USDA federally inspected slaughtering plants, provided that all bellies in the unit have been uniformly cut and trimmed from whole dressed hogs at one federally inspected establishment.

1. Quality Specifications—

In general:

The bellies shall be typical of those produced from barrows, gilts and smooth sows (no stag or boars permitted).

The bellies shall be boneless and the major cartilages of the sternum and the ribs shall be closely and smoothly removed, leaving a reasonably good lean covering on the face of the belly. Any remaining embedded tips of the cartilages shall be approximately level with, or slightly lower than, the surface lean.

The bellies shall be practically free from bruises, skin scalps, skin cuts and objectionable discoloration.

Bellies shall not be excessively oily or soft and the flesh shall not be extremely dark or coarse.

The bellies showing poor workmanship or any condition adversely affecting the end product shall not be acceptable.

Practically all leaf fat and other abdominal surface fat of similar character shall be removed.

The bellies shall be frozen and shall not show evidence of defrosting and refreezing except where sampling or examination has made this necessary to the bellies involved.

The bellies shall be in good condition and show no indication of mishandling or rancidity.

¹ Revised February 1994; August 1994.

² Effective February 1977.

³ Effective with trading of February 1993 contract. Revised February 1996; April 1999.

The conditions stated herein are general. For more specific requirements on conformation, quality, workmanship, etc., see the Schedule of Defects.

2. Packaging—

Bellies shall be adequately protected according to trade custom by any one of the following methods; however, each unit must be uniform: (a) Wrapped in wax paper or in long sheets of polyethylene or other durable plastic film. Not more than four bellies may be included in each wrapping; (b) Enclosed in polyethylene or other plastic film bags. Not more than four bellies may be included in each wrapping unless the entire pallet load of bellies is enclosed in a single polyethylene bag; (c) By encasing the entire pallet load of bellies in a single polyethylene bag to be put on from the bottom up. The bellies must be frozen prior to closing the bag. In all methods, the wrapping must be of sufficient weight to give adequate protection to the bellies and must be maintained in good condition. ¹

3. Storage—

To be eligible for delivery during the months of February, March, May, July and August, pork bellies shall not have been produced or stored prior to October 1 of the previous year.

Each delivery unit shall be stored and completed within a 15-day period under one lot number and must be stored continuously in only one approved cold storage warehouse.

4. Delivery Points—

Par delivery of pork bellies shall be made from approved warehouses east of the western boundaries of North Dakota, South Dakota, Nebraska, Kansas, Oklahoma and Texas. ²

15104.B. - C.[Reserved]

15104.D. Deviations and Allowances ³

1. Quality:

If the bellies in the sample have not more than a total of 100 minor defect equivalents, the entire lot will be deliverable at par. Bellies with more than a total of 100 minor defect equivalents may be delivered at the following discounts:

<u>Minor Defect Equivalents</u>	<u>Discount Per Pound</u>
101 - 125	0.50¢
126 - 150	1.00¢
151 - 175	1.50¢
176 - 200	2.00¢
201 - 225	2.75¢
226 - 250	3.50¢
251 - 275	4.25¢
276 - 300	5.00¢

Bellies with more than 300 minor defect equivalents are not deliverable.

2. Weight:

Delivery units complying with all other rules of the futures contract but in the following weight range are deliverable with the specified discount: ^{4 5}

12/14 pound unit—1¢ discount
16/18 pound unit—1-1/2¢ discount ⁶

A weight tolerance of 3/4 pound on individual bellies is permitted but the number of bellies more than 3/4 pound over or under the weight range may not exceed 7 per sample lot.

Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds shall be permitted at time of delivery. An allowance for shrinkage of 1/4 of 1% of the certified received weights must be

¹ Revised October 1999; March 2000.

² Effective with trading of February 1993 contract. Revised July 1999.

³ Effective with trading of February 1993 contract.

⁴ Effective with trading of February 1980 contract.

⁵ Effective with trading of February 1980 contract.

⁶ Revised February 1996.

deducted on the tender notice but this allowance shall not disqualify a unit for delivery because of minimum weight requirements. Payment shall be made on the basis of the certified weights as indicated on the warehouse receipt less the allowance for shrinkage.

15105. GRADING

15105.A. Product Sampling, Examination And Checking For Conformance

The examination shall be performed by the USDA, MRP, AMS, Livestock and Seed Program, Meat Grading and Certification Branch. The bellies may be examined fresh in-plant, fresh or fresh freezer accumulation when stored, or at any time in storage. Fresh freezer accumulation (FFA) shall mean bellies which may be fresh, partly frozen, or solidly frozen, which have been accumulating for a period not exceeding 15 days, and shall be bright in appearance, reasonably free from dehydration causing woody texture and show no indication of spoilage, discoloration or rancidity.

The delivery unit must be suitably identified by lot number and USDA establishment number in a manner satisfactory to the USDA Meat Graders.

If at any time in the examination of the lot (fresh or frozen) there is any indication of contamination caused by harmful materials (including ammonia, brine, dirt, chemicals, filth, rodents, etc.), or if the bellies show evidence of being rancid, slimy, sour or off-condition, the entire lot will be considered ineligible for delivery on the contract and will be rejected without further examination.

If at any time in the examination of the lot (fresh or frozen) there is any indication of possible microbiologic contamination (including attached pizzle or possible mold), the grading shall be completed, but the USDA Meat Grader shall retain the lot for final determination by Food Safety and Inspection Service, Meat and Poultry Inspection, USDA, of the lot's conformance with Federal Regulations pertaining to wholesomeness of meat and meat products.

If, on preliminary examination, the entire lot appears to be in good condition, the USDA Meat Grader will select a random sample of 50 bellies which will be examined. If frozen, the bellies must be defrosted. The defrosting must be done in a room having a temperature that does not exceed 70 degrees F. and the bellies must be defrosted to the extent that the specification requirements are visually determinable. The bellies must not be defrosted by submerging in hot water or brine.¹

An examination of the sample (fresh or defrosted) will be made to determine the number of major or minor defects present. These are listed in the Schedule of Defects and defined as follows:

- a. Major Defect—A major defect is a condition of the belly which makes its use for good quality slab or sliced bacon possible only after excessive trim.
- b. Minor Defect—A minor defect is a condition of the belly which makes its use for good quality slab or sliced bacon possible only after slight trimming.

Acceptance or rejection of the lot will be based on the number of minor defect equivalents in the bellies in the sample. For the purposes of determining the number of minor defect equivalents, each major defect will be considered to be the equivalent of four minor defects. No more than eight minor defects shall be counted against any one belly of the sample.²

If upon two consecutive gradings the bellies fail to meet Exchange requirements for delivery, the lot shall not be eligible for delivery on Exchange contracts at any time thereafter. No more than one regrading of any lot shall be permitted. Bellies submitted for grading failing to make weight range specified because of being too light or too heavy do not automatically become eligible for delivery in another category without a regrading.

15105.B. Product Sampling, Examination And Checking For Conformance For In-Plant Grading Of Pork Bellies³

In addition to the procedures and requirements of Chapter 7 and Chapter 151, the following shall specifically apply to in-plant gradings of pork bellies:

1. Each day's cut shall be kept separate and dated.

¹ Revised January 1982.

² Effective with trading of February 1993 contract.

³ Revised February 1974.

2. Contract units shall be presented in combo bins with polyliner such that the integrity of the unit can be maintained. Following examination, each combo unit shall be stamped by the grader with the USDA shield identification stamp. The USDA Meat Grader will supervise the sealing of each combo unit and record seal numbers on the USDA certificate.
3. The approved plant shall be responsible for the refrigerated transportation of the product to, and acceptance by, an Exchange approved warehouse on the next business day following grading, except that in no event shall the day of acceptance be later than three calendar days after the day of grading.¹
4. The warehouse shall be responsible for checking to see that the seal numbers on the combo units correspond with those on the grader's report. Following acceptance of the contract unit by the CME warehouse, and following weighing of the unit by the warehouse weighmaster, the warehouse shall immediately notify the CME as to weight, seal number, USDA certificate number and warehouse lot number.
5. For in-plant gradings, USDA Meat Graders shall record seal numbers of the combo units on the grading certificate and forward them to the warehouse with the truck. The USDA Meat Graders shall telephone their results to the CME on the day the grading is completed if during business hours; if not, results shall be telephoned to the Exchange by 10:00 a.m. the following morning.

15106. EXCHANGE CERTIFICATE

FOR ALL CONTRACT MONTHS THROUGH AUGUST 2007

An official Exchange Certificate for pork bellies based on an examination made on or after November 1 of any year shall remain in force until 5:00 p.m. on the first business day of the following September, provided the bellies have remained in the same warehouse and have been kept under proper refrigeration.

Exchange Certificate must be in good standing up to 5:00 p.m. on the business day following the day of delivery.

FOR ALL CONTRACT MONTHS AFTER AUGUST 2007

An official Exchange Certificate for pork bellies based on an examination made on or after October 1 of any year shall remain in force until 5:00 p.m. on the first business day of the following September, provided the bellies have remained in the same warehouse and have been kept under proper refrigeration.

Exchange Certificate must be in good standing up to 5:00 p.m. on the business day following the day of delivery.

15107. ASSOCIATED COSTS²

On all deliveries made on the futures call, the seller must assume storage charges up to 5:00 p.m. on the second business day after the date of delivery. The proration shall be on the basis of 1/30th of the prevailing monthly storage rate at the particular warehouse raised to the nearest five cents and multiplied by the number of days remaining to the next expiration date (all months figured on the basis of 30 days). In no case shall handling charges be included in such proration. The storage charges shall be paid in advance by the person holding the product on storage expiration date and pro rata charges prepaid by such holder shall be added to and shown on the tender notice.

The actual costs of USDA Meat Grading Service and all other charges throughout all phases of the sampling procedure and examination must be paid by the party requesting the grading; these costs shall include Exchange documentation and related services such as defrosting (if frozen), examination, refreezing and reglazing or rewrapping promptly after examination.

15108. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES

¹ Revised October 1980; January 1990.

² Revised January 2006.

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

SCHEDULE OF DEFECTS ¹

SCHEDULE OF DEFECTS		
Examination for	Major	Minor
1. Conformation		Belly more than 14 inches wide at widest point in a 12/14 pound delivery unit, measured on skin side.
		Belly more than 15 inches wide at widest point in a 14/16 pound delivery unit, measured on skin side.
		Belly more than 16 inches wide at widest point in a 16/18 pound delivery unit, measured on skin side.
	Fatback extends more than 2-3/4 inches from the outermost curvature of the scribe (measured within 2 inches on either side of exact center).	Fatback extends more than 2-1/4 inches but not more than 2-1/2 inches from the outermost curvature of the scribe (measured within 2 inches on either side of exact center) and there are less than 3 separate strips of lean measuring at least 1 inch long and 1/2 inch wide.
	Fatback extends more than 2-1/2 inches but not more than 2-3/4 inches from the outermost curvature of the scribe (measured within 2 inches on either side of exact center) and there are less than 3 separate strips of lean measuring at least 1 inch long and 1/2 inch wide.	Fatback extends more than 2-1/2 inches but not more than 2-3/4 inches from the outermost curvature of the scribe (measured within 2 inches on either side of exact center) and there are at least 3 separate strips of lean measuring at least 1 inch long and 1/2 inch wide.
	Skippy belly.	Belly less than 6/10 inch thick at any point ventral to the scribe line.
	Belly more than 2-1/4 inches thick in a 12/14 pound delivery unit, measured on skin side.	Belly less than 8 inches wide at narrowest point measured on the skin side.
	Belly more than 2-1/2 inches thick in a 14/16 or 16/18 pound delivery Unit, measured on skin side.	Belly more than 2 but not more than 2-1/4 inches thick in a 12/14 pound delivery unit, measured on skin side.
2. Quality	Oily or extremely soft fat. Dark, coarse lean.	Belly more than 2 but not more than 2-1/2 inches thick in a 14/16 or 16/18 pound delivery unit, measured on skin side.
		Rough, thick or coarse skin.
3. Foreign Material	Foreign material (rust, sawdust or grease, etc.) on the face side which would require trimming to remove.	Foreign material (rust, sawdust or grease, etc.) which can easily be removed without trimming.
4. Soundness	Dehydration causing woody texture on the ends and/or sides requiring trimming in excess of 3/10 inch to remove.	Dehydration causing woody texture only on face of belly exceeding 6 square inches in one area.
5. Workmanship Trim		More than 2 inches difference in width between widest and narrowest point

¹ Revised February 1999.

SCHEDULE OF DEFECTS		
Examination for	Major	Minor
		measured on the skin side. Shoulder end not reasonably perpendicular to side (within 10 degrees).
		The two sides of the belly (ventral and dorsal) more than 2 inches different in length and/or ham end of the belly extending more than two inches posterior from the bottom of the "bootjack V" measured on the skin side.
Lean	An area of exposed fat ventral to the scribe line which measures more than 6 square inches (do not include the following areas when determining defect: 1/2 inch bevel along both ends and 1-1/2 inches along the entire ventral edge). (1)	An area of expose fat ventral to the scribe line which measures more than 4 square inches but not more than 6 square inches (do not include the following areas when determining defect: 1/2 inch bevel along both ends and 1-1/2 inches along the entire ventral edge). (1)
Bone		Bone measuring more than 4/10 inch in width. (1)
Cartilage		Exposed cartilage measuring more than 4/10 inch in width. (1)
Seeds or Mammary Tissue	Mammary tissue requiring trimming in excess of 1/2 inch to remove. (2)	Mammary tissue requiring trimming in excess of 3/10 inch but not more than 1/2 inch to remove.
Leaf Fat		Leaf fat exceeds a combined area of 4 square inches and more than 1/2 inch in depth.
Mutilation	Bruises or scalps on skin side of belly more than 6 square inches in one area and more than 1/2 inch in depth. (1)	Bruises or scalps on skin side of belly more than 6 square inches in one area and more than 3/10 inch but not more than 1/2 inch in depth. (1)
	Bruises or scalps on skin side of belly more than 4 square inches in one area and more than 1 inch in depth. (1)	Bruises or scalps on skin side of belly more than 4 square inches in one area and more than 3/10 but not more than 1/2 inch in depth. (1)
	Scores on either side of belly more than 1 inch in depth. (1)(3)	Scores on either side of belly more than 1/2 inch but less than 1 inch in depth. (1)(3)
Scribe Marks		Scribe mark more than 4/10 inch deep at any one point.
6. Weight		Belly weighing more than 3/4 pound over or under delivery unit weight range (no more than 7 permitted per 50-piece sample).

(1) Defects may be scored more than once per belly.

(2) Pink or white mammary tissue that is not soft or porous is not a defect.

(3) Cuts made by the inspector in his examination for bruises and mammary tissue are permissible and shall not be scored as defects.

(End Chapter 151)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 151

RULE 15104.A.4. DELIVERY POINTS—INTERPRETATION

(Special Executive Report, April 4, 1974)

The formula for determining the dollar amount to be deducted for outside Chicago delivery is:

Negotiable warehouse receipt weight times the published allowance from the warehouse from which the bellies are delivered.

RULE 15105.B.2.—INTERPRETATION

(Special Executive Report, February 9, 1977)

Only those combo bins in the contract units which have been passed examination by the USDA Meat Grader will be stamped with the USDA shield and sealed.