

## Chapter 51 Butter Futures

### 5100. SCOPE OF CHAPTER <sup>1</sup>

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

### 5101. COMMODITY SPECIFICATIONS <sup>2</sup>

The commodity traded pursuant to this chapter shall consist of Grade AA frozen butter.

### 5102. FUTURES CALL

#### 5102.A. Trading Schedule <sup>3</sup>

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

#### 5102.B. Trading Unit

The unit of trading shall be 40,000 pounds.

#### 5102.C. Price Increments

Minimum price fluctuations shall be in multiples of \$0.00025 per pound.

#### 5102.D. Daily Price Limits <sup>4</sup>

There shall be no trading at a price more than \$0.05 per pound above or below the previous day's settlement price, except that there shall be no daily price limits in the spot month as of the first business day after the first Friday of the contract month.

If the contract nearest to expiration that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.10 per pound for all contracts subject to a daily price limit.

If, after the daily price limits have been increased to \$0.10 per pound, the contract nearest to expiration that is subject to a daily price limit settles on the limit bid or the limit offer, then the daily price limit shall be raised to \$0.20 per pound for all contracts subject to a daily price limit.

If the contract nearest to expiration that is subject to a daily price limit of \$0.20 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.10 per pound on the next business day.

If the contract nearest to expiration that is subject to a daily price limit of \$0.10 does not settle at a limit bid or limit offer, without regard to market direction, the price limits shall revert to \$0.05 per pound on the next business day.

#### 5102.E. Position Limits <sup>5</sup>

No person shall own or control more than:

1. 1,000 contracts net long or short in all contract months combined;
2. 900 contracts long or short in any contract month;
3. 150 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. 50 contracts long or short in the expiring contract month during the last 5 days of trading in the contract.

For positions involving options on butter futures, this rule is superseded by the option speculative position limit rule.

<sup>1</sup> Revised August 2003.

<sup>2</sup> Revised August 2003.

<sup>3</sup> Revised December 2001.

<sup>4</sup> Revised August 1997; December 1997; September 1998; July 2001.

<sup>5</sup> Revised August 1997; December 1997.

**5102.F. Accumulation of Positions**

For 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.

**5102.G. Exemptions**

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

**5102.H. Termination of Trading**

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

**5102.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.

**5103. SETTLEMENT PROCEDURES <sup>6</sup>**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the delivery of frozen butter:

**5103.A. - B. [Reserved]****5103.C. Delivery Days**

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

**5103.D. Seller's Duties <sup>7</sup>**

To make delivery, the seller shall furnish no later than 1:00 p.m. two business days prior to delivery, to the Exchange's Clearing House, a written Delivery Notice on a form prescribed by the Exchange. The buyer shall be notified by the Exchange no later than 3:00 p.m. of said day unless such notification deadline is extended by the President. The seller shall present by 12:00 noon on the business day following the day of intent, an Official Exchange Certificate, and a USDA grading certificate indicating that the butter is grade AA.

**5103.E. Buyer's Duties <sup>8</sup>**

The buyer receiving a delivery notice may not liquidate the long position assigned delivery and must deposit with the Clearing House not later than 12:00 noon on the business day following the day of intent, a wire transfer for the payment amount as described in Rule 5103.F.

**5103.F. Payment**

Buyer's payment to the seller shall equal the product of the weight delivered and the settlement price on the day of tender adjusted by the allowance for deliveries outside Chicago as described in Rule 5104.C., plus storage charges as described in Rule 5107.B.

**5103.G. Completion of Delivery**

Upon receipt of the buyer's payment and the seller's fulfillment of the delivery in accordance with all the conditions of the contract herein set forth, the Clearing House shall release the Official Exchange Certificate and USDA inspection certificate to the buyer and make the corresponding payment to the seller.

**5103.H. Approved Facilities**

Delivery of butter shall be made from approved warehouses only. Butter shall not be delivered

<sup>6</sup> Revised August 2003.

<sup>7</sup> Revised December 1996; August 1997.

<sup>8</sup> Revised December 1996; August 1997; September 1997.

from plants.

## **5104. PAR DELIVERY AND SUBSTITUTIONS**

### **5104.A. Par Delivery Unit**

#### **1. Quality Specifications <sup>9</sup>**

A par delivery unit is 40,000 pounds of Grade AA salted butter. The entire unit shall be exclusively frozen butter at temperatures not to exceed 0 degrees Fahrenheit at the time of delivery. The entire unit shall be uniform in color, salt content and weight. Grade A butter shall not be deliverable.

Commencing no later than 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. Prior to the 30th calendar day after the date of manufacture of the earliest churning in the carlot, butter may have been held in the cooler room of an approved cold storage warehouse at temperatures not to exceed 45 degrees Fahrenheit.

To be eligible for delivery in any month, the butter shall not have been produced prior to December 1 of the previous year.

#### **2. Packaging**

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 an 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.

To be eligible for delivery the butter may be made up of not more than three lots, none under 100 boxes, which may be manufactured by different plants. No delivery unit shall contain the product of more than three manufacturing plants. Each delivery unit shall be stored and completed within a 15-day period under one lot number and must be continuously in only one approved cold storage warehouse.

### **5104.B. [Reserved]**

### **5104.C. Delivery Points and Allowances<sup>10</sup>**

#### **FOR ALL CONTRACT MONTHS THROUGH DECEMBER 2007**

Delivery may be made only from approved locations within the 48 contiguous states. Par delivery of butter shall be made from approved warehouses in Chicago and from approved warehouses located east of the western boundaries of lower Michigan, Indiana, Kentucky, Tennessee, and Mississippi. Deliveries made from approved warehouses outside of that area may be substituted with an allowance, determined by the Exchange as follows: from approved warehouses up to 400 miles outside Chicago with a discount of \$.005 per pound; from approved warehouses between 400 and 800 miles outside Chicago with a discount of \$.01 per pound; from approved warehouses between 800 and 1200 miles outside Chicago with a discount of \$.015 per pound; from approved warehouses between 1200 and 1600 miles outside Chicago with a discount of \$.020 per pound; and from approved warehouses beyond 1600 miles outside Chicago with a discount of \$.025 per pound.

#### **FOR ALL CONTRACT MONTHS AFTER DECEMBER 2007**

Delivery may be made only from approved locations within the 48 contiguous states. Par delivery of butter shall be made from approved warehouses in Chicago and from approved warehouses located east of the western boundaries of lower Michigan, Indiana, Kentucky, Tennessee, and Mississippi. Deliveries made from approved warehouses outside of that area may be substituted with an allowance, determined by the Exchange as follows: from approved warehouses up to 400 miles outside Chicago with a discount of \$.00625 per pound; from approved warehouses between 400 and 800 miles outside Chicago with a discount of \$.0125 per pound; from approved

<sup>9</sup> Revised December 1996; August 1997; December 1997; May 2000; August 2003.

<sup>10</sup> Revised September 2007.

warehouses between 800 and 1200 miles outside Chicago with a discount of \$.0195 per pound; from approved warehouses between 1200 and 1600 miles outside Chicago with a discount of \$.0260 per pound; and from approved warehouses beyond 1600 miles outside Chicago with a discount of \$.0345 per pound.

**5104.D. Deviations and Allowances <sup>11</sup>**

The delivery unit may vary between 40,000 and 43,000 pounds in net weight but payment shall be made on the basis of the exact weight delivered.

**5105. INSPECTION <sup>12</sup>**

Grading of butter must meet the standards promulgated from time to time by the Secretary of Agriculture, and all inspections shall be made in accordance with such standards.

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.

**5106. EXCHANGE CERTIFICATE <sup>13</sup>**

The seller shall include as part of the delivery papers an Official Exchange Certificate valid through the date of delivery. An Official Exchange Certificate based on an inspection made on or after December 1 of the previous year is valid until 5:00 p.m. on the last business day of the following December.

**5107. ASSOCIATED COSTS**

**5107.A. General**

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.

**5107.B. Delivery from Warehouse**

The seller shall assume storage charges up to 5:00 p.m. on the second business day after the date of delivery. The buyer shall be responsible 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 rate 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.

**5108. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

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

(End Chapter 51)

<sup>11</sup> Revised August 1997; December 1997.

<sup>12</sup> Revised December 1996; August 1997; December 1997; April 1999.

<sup>13</sup> Revised December 1996; August 1997; December 1997; May 2000.