



## Special Executive Report

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### **CME SPOT CALL CHEESE AND NONFAT DRY MILK RULES HAVE BEEN AMENDED TO ACCOUNT FOR CHANGES IN BUYER, SELLER AND EXCHANGE DUTIES.**

These changes include:

- Spot Cheese includes a 3-cent per pound discount for cheese delivered in steel barrels
- Also, various non-material changes have been made to clarify the rule language

These changes will become effective on Monday, February 5, 2007.

The amendments are as follows, with additions underlined and deletions bracketed and overstruck.

#### **Chapter 53S Cheese-Spot Call**

(Prior Language Unchanged)

##### **53S03.B. Buyer's Duties**

4. The buyer shall pay for the cheese within [7] 3 business days after the date of the invoice covering the cheese.

##### **53S03.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~~] pick-up prepare an invoice that specifies the date and price of sale, adjusted for moisture content when applicable. The freight differential, if any, shall be credited to the buyer on the invoice.

(Prior Language Unchanged)

**53S04.C. Weight**

The delivered carload may vary between 40,000 and 44,000 pounds in gross weight. Payment shall be made on the basis of the exact net weight delivered [-] , with cheese delivered in steel barrels receiving a 3-cent per pound discount.

(Prior Language Unchanged)

**53S05.C. Barrels Other than Steel**

vi. Maximum overhang on a standard 40 X 48 pallet shall be four inches. Pallet loaded barrels shall be banded together as required by subparagraph 3A[(7)] of this Rule.

vii. Barrel liners shall be USDA approved as outlined in "Announcement DAIRY-6, Purchase of Bulk Dairy Products as amended from time to time."

**(b.)Single Body**

Barrels which are comprised of one body part shall meet the following minimum specifications:

v. Maximum overhang on a standard 40 X 48 pallet shall be 3 inches. Pallet loaded barrels shall be banded together as required by subparagraph 3A[(7)] of this Rule.

vi. Barrel liners shall be USDA approved as outlined in "Announcement DAIRY-6, Purchase of Bulk Dairy Products as amended from time to time."

(Prior Language Unchanged)

**53S06. INSPECTION**

Buyer or seller may demand inspection of cheese for grade and weight before it is shipped. Such inspection shall be made prior to shipment at seller's facilities or at a warehouse near the seller's facilities and cost to be borne by the party requesting the grade. Such inspection shall be made by an independent third party grader such as a Wisconsin State Grader or a U.S. Government Grader[;]. T[he] results of such inspection, grading or weighing shall be final and binding to both parties.

If an inspection is requested the following deadlines shall apply.

1. Cheese between four and nine days old on the day of sale – Delivery time extended ten (10) additional calendar days.
2. Cheese between ten and thirty days old on the day of sale – Delivery time extended seven (7) additional calendar days.
3. Buyer shall pay 90% of the amount invoiced within [7] 3 business days after the day of invoice, and the balance when grading is complete.

(Prior Language Unchanged)

**53S11. FAILURE TO PERFORM**

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 [~~Clearing House~~] at the close of each day. Repeated failure may result in suspension of trading privileges or expulsion for one or both parties.

**INTERPRETATIONS AND SPECIAL NOTICES  
RELATING TO CHAPTER 53S**

**INTERPRETATION TO RULE 53S04.[A]B.**

**INTERPRETATION TO RULE 53S04.D.**

Table for use in determining freight differential to be deducted from the sale price pursuant to Rule 53S04.D.:

<u>Miles from delivery point to Green Bay, WI</u>	<u>Deduction per hundredweight on gross weight of invoice</u>
700–[719] <u>729</u>	1.03

**Chapter 54S  
Nonfat Dry Milk-Spot Call**

(Prior Language Unchanged)

**54S03. SETTLEMENT PROCEDURES**

**54S03.A. Seller's Duties**

1. The seller shall, by 12:00 noon (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. [~~Fines may be assessed for late, incomplete or erroneous notifications and identities.~~]

2. The seller shall, by 10:00 a.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 10:00 a.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. Sellers who submit late, materially incomplete or erroneous delivery forms, as noted in 54S03.A.2., or who cause material adjustments to those delivery forms shall be fined \$200 per contract per day, payable to the buyer.]~~

[4]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 Duties**

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 12:00 noon (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. ~~[Fines may be assessed for late, incomplete or erroneous identities and instructions.]~~

The buyer shall be responsible for arranging and providing transportation. However, if both parties agree, transportation may be provided by the seller. The buyer must arrange for full exchange of pallets or make payment through the Exchange, if the buyer has provided transportation.

The buyer shall make payment by wire transfer of same day funds to the Clearing House in the amount due as shown by the seller's tender notice by 10:00 a.m. (Chicago time) on the fourth business day after the day of sale. The Exchange shall deliver the documents furnished by the seller to the buyer upon receipt of the buyer's payment. The Clearing House shall hold payment in an escrow account if the buyer has requested a USDA Grading Certificate. Payment will be transferred, through the Clearing House, to the seller upon receipt by the Clearing House of a USDA Grading Certificate indicating that the product grades equal to or better than the grade specified by the terms of sale.

#### **54S03.C. Exchange's Responsibilities**

~~[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.]~~

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.

(Prior Language Unchanged)

#### **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 \$.015 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 \$.015 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.

(Prior Language Unchanged)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 54S**

Table for use in determining freight differential to be deducted from the sale price pursuant to Rule 54S04.D.:

Deduction per  
hundredweight  
on gross weight

Mileage	of invoice____
700-7[4]29	1.24

If you have any questions, please contact Charles Piszczor, Associate Director, Commodity Research, Corporate Development Division, at (312) 930-4536, or Paul Peterson, Director, Commodity Research, Corporate Development Division, at (312) 930-4587.