

Special Executive Report

S-4755

September 9, 2008

***** REMINDER *****

**COUNTRY OF ORIGIN LABELING (COOL) REQUIREMENTS
AND CHANGES TO CME LIVE CATTLE FUTURES
BEGINNING WITH THE OCTOBER 2008 CONTRACT MONTH**

As you were previously notified in Special Executive Report S-3986 dated August 29, 2003, the Live Cattle Futures contract was amended to comply with Country of Origin Labeling (COOL), which becomes effective on September 30, 2008.

Beginning with deliveries on the October 2008 contract, all cattle in the delivery unit must be born and raised exclusively in the United States. In addition, at the time of delivery the seller must provide an affidavit attesting to the origin of the cattle being delivered.

The relevant language from the introduction to Chapter 101 is presented below:

**Chapter 101
Live Cattle Futures**

All rules in this chapter shall be read to include the following:

IF THE SECRETARY OF AGRICULTURE HAS ISSUED REGULATIONS, IN ACCORDANCE WITH 7 USC 1638C, REQUIRING COUNTRY OF ORIGIN LABELING FOR BEEF AND THOSE REGULATIONS ARE, OR ARE SCHEDULED TO BECOME, EFFECTIVE AT ANY TIME DURING THE DELIVERY PERIOD, ALL CATTLE IN THE DELIVERY UNIT MUST BE BORN AND RAISED EXCLUSIVELY IN THE UNITED STATES. THE SELLER MUST TENDER DOCUMENTATION THAT CONFORMS TO INDUSTRY STANDARDS AT THE TIME OF DELIVERY VERIFYING COUNTRY OF ORIGIN INFORMATION REQUIRED BY THE REGULATION.

In addition, the seller is required to complete and submit the following affidavit as part of the required delivery documents when a Notice of Intent to Deliver is tendered to the CME Clearing House:

For CME Use Only

Certificate: _____

Live Cattle Country of Origin Affidavit

As an affidavit is deemed by the United States Department of Agriculture (USDA) as an official record of Country of Origin, I attest through first-hand knowledge, normal business records, or producer affidavit(s) that these cattle being tendered for delivery on the CME Live Cattle Futures contract were born and raised exclusively in the United States, as defined by the USDA in 7 CFR 65 (Mandatory Country of Origin Labeling of Beef, Pork, Lamb, Chicken, Goat Meat, Perishable Agricultural Commodities, Peanuts, Pecans, Ginseng, and Macadamia Nuts).

I attest that the records reflecting specific transactions are available for inspection for the sole purpose of compliance with an audit as described by the country-of-origin labeling provisions contained in the Farm Security and Rural Investment Act of 2002 as amended (P.L. 108-767, USCA section 1638a, 2003), and that these records will be maintained for one year from the date of delivery.

Date: _____

Name (please print): _____

Signature: _____

Feedlot Name: _____

Address: _____

City, State, Zip: _____

Telephone, including area code: () _____

A copy of this Affidavit must accompany each Certificate of Delivery tendered and shall be considered part of the Certificate of Delivery. A Certificate of Delivery will not be accepted without a complete, legible, and signed copy of this Affidavit, dated as of the date of tender.

Furthermore, as you were previously notified in Special Executive Report S-4610 dated September 14, 2007, several important changes will apply to deliveries on the October 2008 and subsequent contract months.

For live graded deliveries beginning October 2008, these changes:

- Eliminate the requirement that the average weight of a par delivery unit must be between 1,100 pounds and 1,425 pounds;
- Eliminate the requirement that individual steers at par must weigh no more than 100 pounds above or below the average weight of the delivery unit;
- Eliminate the 3 cent per pound discount on individual steers weighing from 100 to 200 pounds over or under the average weight of the delivery unit; and
- Add the ability to deliver steers weighing 1,475 pounds to 1,550 pounds at the same market-based discount used for 950-1000 pound carcasses in carcass graded deliveries.

For carcass graded deliveries beginning October 2008, these changes:

- Clarify the procedures used by USDA for re-grading carcasses in carcass graded deliveries so that carcasses in the top third of any quality grade except Prime are eligible for regrade;
- Eliminate the ability to purchase replacement carcasses in the event that the total delivered live weight falls below 38,000 pounds;
- Make the language and penalties for failure to deliver in carcass graded deliveries consistent with those used in live graded deliveries; and
- Clarify the deadlines for the receiving long in a carcass graded delivery to accept or reject Large Lot Delivery, and for the Clearing House to notify the delivering short.

In addition, several instances of obsolete and/or inconsistent rule language have been eliminated, and all Interpretations have been incorporated into the corresponding Rules.

The amendments are presented below, with additions underlined and deletions bracketed and overstruck.

Chapter 101 Live Cattle Futures

10100. SCOPE OF CHAPTER

This chapter is limited in application to futures trading of live beef cattle. The procedures for trading, clearing, ~~[inspection]~~ grading, delivery and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

10103. SETTLEMENT PROCEDURES

10103.B. Live Graded Deliveries

4. Par Delivery and Substitutions.

- a. Par Delivery Unit. A par delivery unit is 40,000 pounds of USDA estimated Yield Grade 3, 55% Choice, 45% Select quality grade live steers, ~~[averaging between 1,100 pounds and 1,425 pounds with no individual steer weighing more than 100 pounds above or below the average~~

~~weight for the unit. No~~ with no individual animal weighing less than 1,050 pounds or more than 1,475 pounds ~~[shall be]~~ deliverable at par.

Par delivery units shall have an estimated average hot yield of 63%.

All cattle contained in a delivery unit shall be healthy. ~~No c[G]~~attle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to withstand shipment by ~~[rail or]~~ truck shall be ~~[excluded]~~ deliverable. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable. Such determinations shall be made by the grader and shall be binding on all parties.

- b. Weight Deviations. Steers weighing less than 1,050 pounds or more than 1,550 pounds shall not be deliverable. Steers weighing more than 1,475 pounds but less than or equal to 1,550 pounds shall be deliverable at an adjustment equal to the 950-1000 lbs Factor described in Rule 10103.A., multiplied by the average live weight of the delivery unit. ~~[from 100 to 200 pounds over or under the average weight of the steers in the delivery unit shall be deliverable at a discount of 3¢ per pound, provided that no individual animal weighing less than 1,050 pounds or more than 1,475 pounds shall be deliverable. For purposes of computing such discount, the weight of the over or under weight animals shall be considered the same as the average weight per head of the delivered unit. Steers weighing more than 200 pounds over or under the average weight of the load are not acceptable.]~~ The judgment of the grader as to the number of such overweight or underweight cattle in the delivery unit shall be final and shall be so certified on the grading certificate.

5. Procedures and Standards for Grading, Estimating Yield and Weighing.

- a. Time for ~~[inspection]~~ Grading. To be eligible for delivery, cattle must be confined in a secured pen at an approved [delivery] livestock yard[s] prior to 9:00 a.m. local time on the day of delivery. ~~[inspection]~~ Grading and weighing shall be done on the day of delivery unless more deliveries are indicated than can be conveniently ~~[inspected]~~ graded and weighed on the intended delivery day. In such case the President may allow ~~[inspections]~~ grading and weighing after 2:00 p.m. local time on the day preceding delivery. The buyer must be notified within an hour after the cattle are in his holding pen that the delivery intended for him for the following day has been ~~[inspected]~~ graded, weighed and sealed in his holding pen.

6. Delivery Invoice.

After grading and weighing, the USDA shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the pen number, number of head, net weight, quality grade, estimated average hot yield, estimated yield grade, date of receipt of cattle and date of USDA ~~[inspection]~~ grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Livestock Acceptance Certificate shall be forwarded to the clearing member representing the buyer.

7. Cost of ~~[inspection,]~~ Grading and Weighing [and Storage]

All yardage costs, including driving of livestock, feeding, bedding, weighing, insurance and any other required services up to and including weighing shall be borne by the seller in accordance with the published rates as set forth in the tariff of the livestock yard. The seller shall also bear the costs of grading and documentation, which will be established annually by the Exchange.

Any charges accruing after delivery by seller to the buyer's holding pen shall be borne by the buyer.

10103.C. Carcass Graded Deliveries

1. Conditions.

A buyer assigned a Certificate of Delivery may call for delivery of the cattle to an approved slaughter plant corresponding to the stockyards designated in the Certificate, or to any other approved slaughter plant within 150 miles of the feedlot from which the cattle originate. For the purposes of Chapter 101, a feedlot shall be defined as any location where cattle are confined to a pen and provided access to feed and water including, but not limited to, commercial feeding operations, farmer feeding operations and stockyards.

Final grading will reflect actual carcass results. If the buyer elects carcass grading, slaughter shall not occur prior to the second business day following the buyer's notification of the CME Clearing House. The Clearing House must be notified by 10:00 a.m. on the second business day prior to the day of slaughter of the buyer's election of carcass grading, ~~[and]~~ the approved slaughter plant[-]

and slaughter day, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f.

Upon arrival at the slaughter plant, cattle must be allowed access to water.

3. Seller's Duties.

On the second business day prior to the day of slaughter, the Clearing House will notify the seller of the buyer's election of carcass grading, the approved slaughter plant selected by the buyer, ~~and~~ the day of slaughter selected by the buyer and representatives of the approved slaughter plant, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f. The seller shall be responsible for contacting representatives of the slaughter plant to coordinate arrival time and time of slaughter. The cattle shall be scheduled to arrive between 6:00 a.m. and 6:00 p.m. local time on the day of slaughter. The seller shall be responsible for transportation to the slaughter plant. The seller shall notify the Clearing House of the agreed upon arrival time by 3:00 p.m. on the second business day prior to slaughter.

5. Par Delivery and Substitutions.

- a. Par Delivery Unit. A par delivery unit, shipped to an approved slaughter plant designated by the buyer, shall be 40,000 pounds of live steers which produce Yield Grade 3, 55% Choice, 45% Select grade steer carcass beef, with no individual carcass weighing less than 600 pounds or more than 900 pounds.

Par delivery units shall have an actual average hot yield of 63%.

All cattle contained in a delivery unit shall be healthy. Cattle which are unmerchantable, such as crippled, sick, obviously damaged or bruised, or which for any reason do not appear to be in satisfactory condition to enter normal fresh meat marketing channels shall be excluded. No cattle showing a predominance of dairy breeding or showing a prominent hump on the forepart of the body shall be deliverable.

For carcass graded deliveries only, a "prominent hump on the forepart of the body" shall be defined as a hump on a live animal which, when measured on the resulting carcass, is expected to exceed 2 inches in height when measured from a line formed by the extension of the top line (including the fat) and measuring the lean muscle (excluding the fat) perpendicular to that line in the center of the hump. Any animal(s) with a hump estimated to exceed 2 inches when measured in this manner shall be excluded from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f., the seller is responsible for replacing the removed animal(s) until the minimum live weight is achieved.

Such determination shall be made by USDA personnel and shall be binding on all parties. All resulting carcasses must be merchantable. Carcasses which are not suitable to enter normal fresh meat marketing channels will be excluded from the delivery unit.

- d. Yield Grade Deviations. Yield grade 3 carcasses are deliverable at par. Each carcass with a yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factor described in Rule 10103.A. Per animal yield grade adjustments shall be calculated by multiplying the per pound adjustment by the average live weight of the delivery unit. ~~[Notwithstanding the above, if the cattle are slaughtered in a plant where normal use of "hot fat trimming" makes yield grade determination impossible, all carcasses will be considered to be par with respect to yield grade.]~~

- e. Quality Grade Deviations. Delivery units resulting in 55% USDA Choice grade carcasses and 45% USDA Select grade carcasses are deliverable at par. All grad[e]able carcasses in a delivery unit shall receive a quality grade adjustment computed from the factors described in ~~[Section]~~ Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in ~~[Section]~~ Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime:	+0.45 x LECSS + Prime factor
USDA Choice:	+0.45 x LECSS
USDA Select:	-0.55 x LECSS
USDA Standard:	+0.45 x LECSS + Standard factor
Below USDA Standard:	+0.45 x LECSS + Standard factor + sub-Standard factor

Carcasses deemed ungrad[e]able with respect to quality grade by the USDA shall receive a per pound quality grade discount equal to 25% of the settlement price. The per animal quality

grade adjustment shall be calculated by multiplying the per pound quality grade adjustment by the average live weight of the delivery unit.

- f. Quantity Deviations. Variations in quantity of a delivery unit not in excess of 5% of 40,000 pounds of live weight at the approved slaughter plant shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

The seller shall be responsible for sorting the cattle into deliverable units prior to arrival at the slaughter plant, with each unit weighing between 38,000 pounds and 42,000 pounds and meeting the other specifications of the contract, except for Large Lot Delivery Units as described in the following paragraph. Any cattle delivered to a slaughter plant in excess of 42,000 pounds, or which do not otherwise meet the specifications of the contract, shall not be considered part of the delivery unit, and the seller shall be responsible for merchandising those additional and/or undeliverable cattle.

Delivery cattle from Certificates of Intent that were tendered to the same delivery point on the same date by one seller and are subsequently assigned to a single buyer may be grouped together for processing at the slaughter plant if both the buyer and seller consent. These Large Lot Delivery Units may not exceed a size of ten contracts. The par delivered live weight of Large Lot Delivery Units shall be 40,000 pounds times the number of contracts included in the Large Lot Delivery Unit. A 5% variance in this par delivered weight shall be allowed without penalty. For Large Lot Delivery Units only, the seller shall be relieved of the requirement that cattle be sorted into units weighing between 38,000 and 42,000 pounds prior to arrival at the slaughter plant.

- g. Other Deviations. If one or more of the carcasses is condemned or is unacceptable for entry into normal fresh marketing channels (for reasons such as measles), then each such carcass shall not be considered as part of the delivery unit. If a carcass is removed from the delivery unit for reasons stated above, the total carcass weight will reflect only those carcasses acceptable for delivery, and the total delivered live-weight shall be reduced by the average live weight times the number of carcasses removed. In the event that the total live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f. as a result of the condemnation, ~~the seller is responsible for replacing the removed carcass(es) by purchasing a steer carcass(es) from the approved slaughter facility. The live weight equivalent of such replacement carcass(es), calculated on the basis of the weight of the replacement carcass(es) divided by 63%, shall be added to the delivered live weight.~~

~~Alternatively, in the absence of contrary instructions delivered to the Clearing House at the time of tender by the clearing member representing the seller,] for each removed carcass an amount equal to either 1) the par value of a steer at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the buyer.~~

Excess trimming required due to injection site abscesses or other carcass defects will reduce the total delivered carcass weight, and the resulting hot yield.

Liver condemnations in excess of 20% are the liability of the seller. To determine the maximum number of allowable liver condemnations in a par delivery unit, the number of head in the delivery unit shall be multiplied by 0.20 and the result rounded to the nearest integer. For each liver in excess of the maximum allowable, a discount equal to the condemned liver factor (described in Rule 10103.A.) multiplied by the average live weight of the delivery unit shall be applied.

If, after title to the delivery unit has passed from the seller to the buyer, an animal is condemned or otherwise becomes unacceptable for slaughter due to reasons clearly beyond the control of the seller (e.g., a broken leg caused by a fall after the pen has been sealed), that animal shall be removed from the delivery unit. An amount equal to either 1) the par value of a steer at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining animals in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, a carcass is condemned, heavily trimmed, or altered in any manner such that the value of the carcass is adversely affected due to reasons clearly beyond the control of the seller (e.g., a carcass that falls off the chain or rail and onto the floor), that carcass shall be removed from the delivery unit. An amount equal to either 1) the par value of a steer at the average live weight per head

of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the seller.

If, after title to the delivery unit has passed from the seller to the buyer, any carcass data required to perform the delivery calculations cannot be obtained for one or more carcasses due to reasons clearly beyond the control of the seller (e.g., the approved slaughter facility fails to hold carcasses for regrade), each such carcass shall be deemed Choice when the final quality grading results cannot be obtained; Yield Grade 3 when the actual yield grade results cannot be obtained; 63% or the average hot yield of the remaining carcasses in the delivery unit, whichever is greater, when the actual hot yield cannot be obtained.

6. Procedures and Standards for Grading, Determining Yield and Weighing.

- a. Time for Arrival and Visual Inspection. Cattle shall arrive at the time agreed upon by the seller and the approved slaughter plant. Weighing and visual inspection of the cattle by USDA Meat Grading Service Personnel to ensure general conformance with the contract shall be done at the time of delivery. After completion of weighing and visual inspection, cattle will be placed in a holding pen as a unit prior to slaughter. Identity of the delivery unit shall be maintained in a manner satisfactory to the USDA Meat Grader, and shall include sealing the holding pen with a numbered seal, and recording the seal number and the plant-assigned sequential lot number of the delivery unit.
- b. Grading and Determining Yield. ~~[Carcasses must receive final grade within three business days of slaughter.]~~ Approved slaughter plants normally grading after one business day must hold carcasses falling in the top third of ~~[the Select grade]~~ any quality grade except Prime for re-grading two business days after slaughter. Approved slaughter plants normally grading after two business days may hold carcasses falling in the top third of ~~[the Select grade]~~ any quality grade except Prime for re-grading three business days after slaughter. Final grade and yield results must be completed within three business days of slaughter.

7. Delivery Notice.

Final grading results must be completed within three business days after the day of slaughter. The USDA Meat Grader shall notify the Exchange of the results, from which the Exchange shall promptly prepare its Delivery Invoice incorporating the lot number, number of head, net live weight, quality grade, actual average hot yield, yield grade, date of delivery to the slaughter plant, and date of final USDA ~~[inspection]~~ grading. The Delivery Invoice shall be promptly delivered to the buyer and seller. Upon receipt, the USDA Carcass Grading Results Certificate shall be forwarded to the clearing member representing the buyer.

8. Cost of ~~[Inspection]~~ Grading, Weighing, ~~[Storage]~~, and Transportation.

Death loss, feed and yardage, and all other costs are the responsibility of the seller until the cattle are delivered to the slaughter plant selected by the buyer. The buyer will be assessed a standard freight rate per mile for each additional mile the cattle are hauled over and above the distance between the feedlot and the stockyards to which the seller originally tendered the cattle, and this freight assessment will be paid to the seller. The standard freight rate per mile will be established annually by the Exchange. The seller shall be responsible for the cost of visual inspection and weighing upon arrival at the slaughter plant. Any additional costs of carcass grading shall be borne by the buyer.

9. Penalties.

If the seller fails to present the required quantity of deliverable cattle to the slaughter plant on the date and time specified by the buyer, the ~~[penalties shall be \$.005]~~ seller shall be penalized \$0.015 per pound each business day, payable to the Exchange,~~[that a load of cattle is presented but fails to pass visual inspection]~~ until proper delivery is made. ~~[However, for each business day that the seller fails to present a load of cattle the USDA Meat Grader can visually inspect (according to the provisions of Rule 10103.C.6.a.) the penalty shall be \$.015 per pound.]~~

10104. PROCEDURES FOR TENDER, DEMAND, RETENDER, RECLAIM, AND ASSIGNMENT OF CERTIFICATES OF DELIVERY

10104.A. Tendering a Certificate

A clearing member representing a short may present a Certificate of Delivery (on a form prescribed by the Clearing House) to the Clearing House no later than 4:30 p.m. on any business day except that

Certificates may not be tendered:

1. On or before the first Friday of the contract month;
2. After the third business day after expiration.

A Certificate of Delivery is a commitment to deliver cattle conforming with contract specifications at the delivery point designated in the Certificate, or at a corresponding approved slaughter plant selected by the buyer, if the Certificate is not reclaimed.

A Certificate tendered before the termination of trading requires delivery on the sixth business day that is also a delivery day following the tender of that Certificate, if the buyer elects live grading. If the buyer elects carcass grading, the Certificate requires delivery at the option of the buyer on any day the slaughter plant is in operation between the third business day and the sixth business day, inclusive, following tender of that Certificate.

A Certificate tendered on or after the day trading terminates requires delivery on the fourth business day that is also a delivery day following the tender of that Certificate, if the buyer elects live grading. If the buyer elects carcass grading, the Certificate requires delivery at the option of the buyer on the third business day or fourth business day following tender of that Certificate, or on an intervening day that the slaughter plant is in operation.

A Certificate must include the name, location, business address, and telephone number of the feedlot from which the cattle originate. A Certificate must also include: (1) the distance between the feedlot and the stockyards to which the cattle are tendered for delivery; (2) the distance between the feedlot and the approved slaughter plants corresponding to the stockyards to which the cattle are tendered for delivery; and (3) any other approved slaughter plants within 150 miles of the feedlot and the distances to such approved slaughter plants.

The seller is responsible for determining, in advance of tendering a Certificate, if the delivery point stockyards will be able to accommodate a live-graded delivery on the sixth business day following the day of tender (fourth business day following the day of tender if tender is on or after the last trading day) should the buyer request one. If the buyer requests a live-graded delivery which the stockyards is unable to accommodate, then this will be deemed a failure by the seller to present a load of cattle for USDA grading under Rule 10103.B.8. In addition, the Exchange may prohibit deliveries on certain days for certain locations at which it deems deliveries would not be feasible due to auctions or other activities.

10104.D. Retender

A clearing member representing a long that is assigned a Certificate may retender that Certificate. The following rules govern retender:

4. A long assigned a Certificate must establish a short position in the delivery month and notify the Clearing House of retender by 4:30 p.m. on the business day following assignment. The short position may be established for the purpose of retendering without regard to the provisions of Rule [848] 562.

10104.E. Reclaim

A clearing member representing a short that has tendered a Certificate may reclaim that Certificate upon the first or second retender if there is no Demand Notice issued for that Certificate.

The reclaiming short must have established a long position in the contract month and must issue a Reclaim Notice (on a form prescribed by the Clearing House) to the Clearing House by 5:00 p.m. on the day the Certificate is retendered. The long position may be established for the purpose of reclaiming without regard to the provisions of Rule [848] 562.

[INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 101]

INTERPRETATION OF RULE 10104.A.—TENDERING A CERTIFICATE

~~The seller is responsible for determining, in advance of tendering a Certificate, if the delivery point stockyards will be able to accommodate a live-graded delivery on the sixth business day following the day of tender (fourth business day following the day of tender if tender is on or after the last trading day) should the buyer request one. If the buyer requests a live-graded delivery which the stockyards is unable to accommodate, then this will be deemed a failure by the seller to present a load of cattle for USDA inspection under Rule~~

~~10104.B.8. In addition, the Exchange may prohibit deliveries on certain days for certain locations at which it deems deliveries would not be feasible due to auctions or other activities.~~

~~If the buyer elects carcass grading, slaughter shall not occur prior to the second business day following the buyer's notification of the CME Clearing House. The buyer shall notify the Clearing House of the approved slaughter facility and slaughter day no later than 10:00 a.m. Chicago time, at least two business days prior to the slaughter day.~~

INTERPRETATION OF RULE 10103.C.5.a.—PAR DELIVERY UNIT

~~For carcass graded deliveries only, a "prominent hump on the forepart of the body" shall be defined as a hump on a live animal which, when measured on the resulting carcass, is expected to exceed 2 inches in height when measured from a line formed by the extension of the top line (including the fat) and measuring the lean muscle (excluding the fat) perpendicular to that line in the center of the hump.~~

~~Any animal(s) with a hump estimated to exceed 2 inches when measured in this manner shall be excluded from the delivery unit. If the delivered live weight falls below the 5% tolerance as specified in Rule 10103.C.5.f., the seller is responsible for replacing the removed animal(s) until the minimum live weight is achieved.~~

INTERPRETATION OF RULE 10103.C.5.g.—OTHER DEVIATIONS

~~The seller shall be responsible for sorting the cattle into deliverable units prior to arrival at the approved slaughter facility, with each unit weighing between 38,000 pounds and 42,000 pounds and meeting the other specifications of the contract, except for Large Lot Delivery Units as described in the Interpretation of Rule 10103.C.6.a. Any cattle delivered to an approved slaughter facility in excess of 42,000 pounds, or which do not otherwise meet the specifications of the contract, shall not be considered part of the delivery unit, and the seller shall be responsible for merchandising these additional and/or undeliverable cattle.~~

~~If, after title to the delivery unit has passed from the seller to the buyer, an animal is condemned or otherwise becomes unacceptable for slaughter due to reasons clearly beyond the control of the seller (e.g., a broken leg caused by a fall after the pen has been sealed), that animal shall be removed from the delivery unit. An amount equal to either 1) the par value of a steer at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining animals in the delivery unit, whichever is greater, shall be credited to the seller.~~

~~If, after title to the delivery unit has passed from the seller to the buyer, a carcass is condemned, heavily trimmed, or altered in any manner such that the value of the carcass is adversely affected due to reasons clearly beyond the control of the seller (e.g., a carcass that falls off the chain or rail and onto the floor), that carcass shall be removed from the delivery unit. An amount equal to either 1) the par value of a steer at the average live weight per head of the delivery unit, or 2) the average dollar value of the remaining carcasses in the delivery unit, whichever is greater, shall be credited to the seller.~~

~~If, after title to the delivery unit has passed from the seller to the buyer, any carcass data required to perform the delivery calculations cannot be obtained for one or more carcasses due to reasons clearly beyond the control of the seller (e.g., the approved slaughter facility fails to hold carcasses for regrade), each such carcass shall be deemed Choice when the final quality grading results cannot be obtained; Yield Grade 3 when the actual yield grade results cannot be obtained; 63% or the average hot yield of the remaining carcasses in the delivery unit, whichever is greater, when the actual hot yield cannot be obtained.~~

INTERPRETATION OF FEEDLOT FOR LIVE CATTLE

~~For the purposes of Chapter 101, a feedlot shall be defined as any location where cattle are confined to a pen and provided access to feed and water including, but not limited to, commercial feeding operations, farmer feeding operations and stockyards.~~

INTERPRETATION OF RULE 10103.C.6.a—TIME FOR ARRIVAL AND VISUAL INSPECTION

~~Delivery cattle from Certificates of Intent that were tendered to the same delivery point on the same date by one seller and are subsequently assigned to a single buyer may be grouped together for processing at the slaughter facility if both the buyer and seller consent. These Large Lot Delivery Units may not exceed a size of ten contracts. The par delivered live weight of Large Lot Delivery Units shall be 40,000 pounds times the number of contracts included in the Large Lot Delivery Unit. In accordance with Rule 10103.C.5.f, a 5% variance in this par delivered weight shall be allowed without penalty.~~

~~For Large Lot Delivery Units only, the seller shall be relieved of the requirement (expressed in the~~

~~Interpretation of Rule 10103.C.5.g) that cattle be sorted into units weighing between 38,000 and 42,000 pounds prior to arrival at the approved slaughter facility.]~~

These changes will be effective with the October 2008 and subsequent contract months.

If you have any questions regarding this matter, please contact Paul Peterson, Director, Commodity Research & Product Development at (312) 930-4587.