

August 5, 2016

To Our Customers:

CME Group values its relationship with the cattle community and is committed to helping producers, commercial firms and other participants in our cattle markets manage their risk. Since the start of the year, we have been working with the NCBA and the broader industry to enhance our cattle futures markets. As a valued customer, we wanted to let you know that today we announced a number of actions designed to enhance Live Cattle futures markets:

- **Seasonal Discount at Worthing, SD delivery location** – Based on extensive customer feedback, internal review and Informa’s independent research, CME Group will add a seasonal discount of \$1.50 per hundredweight on live cattle tendered to its Worthing, South Dakota delivery location for the October contract only. The new discount will be effective with the October 2017 contract, which will be listed for trading on Monday, August 22, 2016, pending CFTC review. The extensive research supporting this decision concluded that this discount would better align delivery values with cash market prices and maintain compliance with CFTC’s policy on location price differentials, while resulting in little or no impact on local cash cattle prices. The full Informa Economics report, *Regional Cattle Price Differences and Their Impact on CME Live Cattle Delivery Points*, is available at www.cmegroup.com/livestockupdates.
- **Revised grading and quality specifications** – Based on industry feedback and increasing quality grades seen in all major fed cattle regions, CME Group will update par quality grades for both live and carcass-graded deliveries to 60 percent choice and 40 percent select, from 55 percent and 45 percent respectively. Pending regulatory reviews, these changes will be effective with the October 2017 contract month.
- **Delayed listing of additional contracts** – CME Group applauds the efforts of the industry to create additional market transparency, particularly through efforts like the recently introduced cash cattle auctions. Transparent, negotiated or auction-based cash markets are a prerequisite for effective futures markets, particularly those with physical delivery. However, only approximately 20 percent of cattle sales are negotiated in cash markets across the U.S. today with less than five percent in major producing states like Texas and Oklahoma. As a result, CME Group will delay listing any additional contract months beyond October 2017 as we continue working with the industry to evaluate ways to improve cash market transparency, review cash market developments and consider the introduction of cash-settled products if transparency does not improve.

These new measures are based on continued collaboration with and feedback from the cattle industry. For more information and updates on CME cattle futures market enhancements, please visit www.cmegroup.com/livestockupdates.

All customer inquiries may be directed to:

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Media inquiries should be directed to:

- Chris Grams at 312.930.3435, chris.grams@cmegroup.com.

Best,

Tim Andriesen

A handwritten signature in black ink, appearing to read 'Tim Andriesen', with a horizontal line extending to the right.