



Special Executive Report

S-7141

July 14, 2014

REMINDER OF LIVE CATTLE FUTURES AMENDMENTS EFFECTIVE WITH THE AUGUST 2014 CONTRACT MONTH

As previously informed (see Special Executive Report S-6715 dated June 17, 2013), effective with the August 2014 contract month and subsequent contract months, the Live Cattle futures contract delivery specifications will change as follows:

Maximum deliverable individual live weight: the maximum deliverable individual live weight will increase to 1,550 pounds from 1,500 pounds with a market-based discount for live animals weighing 1,500 to 1,550 pounds (based on discounts for carcasses weighing 900-1000 lbs. as noted in the relevant USDA weekly report).

Premium/discount for carcass characteristics: a) payments will be made upon receipt of visual and final carcass grade/yield results, b) the fixed 20% discount for certain light and heavy carcass weights will be eliminated and c) all the newly revised weight categories and market-based price information for premiums and discounts on carcass weights from the relevant USDA weekly report will be utilized.

Delivery scheduling: a) Christmas Eve and New Year's Eve scheduling will be eliminated for live delivery, b) Saturday scheduling will be eliminated for carcass delivery, c) the contraction of the delivery scheduling period that occurs for tenders submitted on and after the last trading day will be eliminated and d) one (1) business day will be added to both the notice period and scheduling window for all deliveries. Thus, beginning with the August 2014 contract, live graded deliveries will take place on the eighth business day after the tender date while carcass graded deliveries will take place on the fourth through eighth days after the tender date.

The relevant rules for delivery procedures in the Live Cattle futures contract are attached.

The complete set of rules for the Live Cattle futures contract are available at:
<http://www.cmegroup.com/rulebook/CME/II/100/101/101.pdf>

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Chapter 101

CME Live Cattle Futures

FOR AUGUST 2014 THROUGH JUNE 2015 CONTRACT MONTHS

10103. SETTLEMENT PROCEDURES

10103.A. Sources and Calculation of Adjustment Factors

Quality grade adjustments for all delivery units will make use of the live weight equivalent of the Choice-Select boxed beef spread calculated from information reported by USDA (in \$/cwt.) for the day of tender in the National Daily Boxed Beef Cutout and Boxed Beef Cuts – Negotiated Sales – Afternoon report. This is referred to hereafter as the Live Equivalent Choice-Select Spread (LECSS) and is computed by subtracting the “Selected Boxed Beef Cut-Out Value” from the “Choice Boxed Beef Cut-Out Value” and multiplying that result by 0.0063.

The USDA By-Product Drop Value report for the day of tender shall serve as the source of information for calculating the condemned liver factor used in carcass-graded deliveries. The condemned liver factor shall equal the reported liver value (in \$/cwt.) multiplied by -0.01.

In addition, quality grade, yield grade and carcass weight adjustments will make use of factors calculated from values reported by USDA (in \$/cwt.) in the 5-Area Weekly Weighted Average Direct Slaughter Cattle – Premiums and Discounts report. The Prime, Standard, Yield Grade 1, Yield Grade 2, Yield Grade 4, Yield Grade 5, 400-500 lbs., 500-550 lbs., 550-600 lbs., 900-1000 lbs., 1000-1050 lbs. and over 1050 lbs. factors are calculated by multiplying the reported weighted average for the corresponding category by 0.0063. If a quality grade or yield grade is broken into subcategories on this report, then the factor for that quality or yield grade shall be the simple average of all reported averages for the subcategories in that category multiplied by 0.0063. The most recently issued report with respect to the day a Certificate is tendered shall be used to calculate the factors for that delivery unit. When a Certificate is tendered on the same day that a new report is issued, that new report shall be used in factor calculation regardless of the time of day that the report is released.

The sub-Standard factor shall equal -25% of the tender day settlement price.

Should the USDA determine that an error exists in any of the reports used to calculate adjustment factors and subsequently issues a corrected report, that corrected report shall be used in place of the original.

10103.B. Live Graded Deliveries

1. Delivery Days

Delivery may be made on any Business Day of the contract month, and the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., except that live graded deliveries may not be made prior to the ninth Business Day following the first Friday of the contract month and may not be made on Christmas Eve nor made on New Year's Eve.

2. Seller's Duties

On the day of delivery, the seller shall promptly furnish the buyer a USDA Livestock Acceptance Certificate which shall include pen number, number of head, net weight of cattle, quality grade, estimated average hot yield, and estimated yield grade.

3. Payment

Upon the seller's fulfillment of the delivery in accordance with all conditions of the contract herein set forth, the Clearing House shall release the retained funds to the seller. Title to each delivered unit shall pass to the buyer when the delivered unit is placed in the buyer's holding pen.

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, with no individual animal weighing less than 1,050 pounds or more than 1,500 pounds. Par delivery units shall have an estimated average hot yield of 63%.

All cattle contained in a delivery unit shall be healthy. No 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 withstand shipment by truck shall be 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 1,500 pounds but less than or equal to 1,550 pounds shall be deliverable at an adjustment equal to the 900-1000 lbs. factor described in Rule 10103.A., multiplied by the average live weight of the delivery unit. 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.

c. Yield Deviations. Delivery units with an estimated average hot yield over or under 63% shall be deliverable with an adjustment computed by dividing the estimated hot yield by 63% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of the delivery unit. Units with an estimated average hot yield of less than 60% shall not be deliverable

d. Yield Grade Deviations. Steers with an estimated yield grade of 3 are deliverable at par. Each steer with an estimated yield grade of 1, 2, 4 or 5 shall receive a per pound adjustment equal to the corresponding factors 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.

e. Quality Grade Deviations. Delivery units composed of 55% USDA Choice grade steers and 45% USDA Select grade steers are deliverable at par.

All animals in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows:

USDA Prime: $+0.45 \times \text{LECSS} + \text{Prime factor}$ USDA Choice: $+0.45 \times \text{LECSS}$ USDA Select: $-0.55 \times \text{LECSS}$ USDA Standard: $+0.45 \times \text{LECSS} + \text{Standard factor}$ Below USDA Standard: $+0.45 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$

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 shall be permitted at the time of delivery, with appropriate adjustment to reflect delivered weight but with no further penalty.

g. Delivery Points and Allowances. A par delivery of live beef cattle shall be made from approved livestock yards in Wray, Colorado; Worthing, South Dakota; Syracuse, Kansas; Tullia, Texas; Columbus, Nebraska; Dodge City, Kansas; Amarillo, Texas; Norfolk, Nebraska; North Platte, Nebraska; Ogallala, Nebraska; Pratt, Kansas; Texhoma, Oklahoma; and Clovis, New Mexico.

h. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

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

a. Time for Grading. To be eligible for delivery, cattle must be confined in a secured pen at an approved livestock yard prior to 9:00 a.m. local time on the day of delivery. Grading and weighing shall be done on the day of delivery unless more deliveries are indicated than can be conveniently graded and weighed on the intended delivery day. In such case the President may allow 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 graded, weighed and sealed in his holding pen.

b. Grading and Estimating Yield. Seller shall deliver his cattle to a livestock yard approved by the Exchange and surrender the cattle for Exchange delivery by consigning the lot to a duly licensed, registered and bonded livestock commission firm. The cattle shall be identified in a manner satisfactory to the USDA grader and placed in holding pens.

If, on preliminary examination, the lot of cattle appears to be healthy, merchantable and in good condition, the USDA grader shall grade the cattle, estimate the average hot yield (dressing percentage) and estimate the yield grade, and shall record same on the USDA Livestock Acceptance Certificate along with the weights taken by the approved livestock yards company. Graders shall also record on the grading certificate the number of head and the pen number of the holding pen which has been sealed pending delivery to the buyer.

c. Weighing. Weighing shall be done within one hour following the completion of grading. The cattle must stand without feed but shall receive water during the interval between 9:00 a.m. and grading. However, in no event shall the cattle receive feed or water during the interval between grading and weighing.

Weighing shall be done by the approved livestock yards company on officially approved scales and recorded on the official scale ticket or official weight sheets which shall show total net weight and number of head of cattle, lot number and/or pen number and the date weighed. After grading and weighing, the cattle shall be sealed in a 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 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 Grading and Weighing

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.

8. Penalties

If, in the opinion of the USDA grader, the seller fails to present a load of cattle, or fails to present cattle which have been properly sorted prior to arrival at the delivery point stockyards and are suitable for delivery on the date at the place specified in the Certificate of Delivery, the seller shall be penalized \$.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the buyer or his agent delay, disrupt, or otherwise interfere with the delivery process in any manner, the buyer shall be penalized \$.015 per pound on each delivery unit delivered to the buyer, payable to the Exchange.

In these and all other delivery matters, the determination of the USDA grader shall be final and binding on all parties.

9. Exchange Certificate

The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter.

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 200 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 third 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 third Business Day prior to the day of slaughter of the buyer's election of carcass grading, 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.

2. Delivery Days

Delivery may be made on any Business Day of the contract month on which the approved slaughter plant selected by the buyer is in operation, and on the first eleven Business Days in the succeeding calendar month, provided a Certificate has been tendered as prescribed in Rule 10104.A., and provided proper notification has been given to the Clearing House as prescribed in Rule 10103.C.1., except that carcass graded deliveries may not be made prior to the fifth Business Day following the first Friday of the contract month.

3. Seller's Duties

On the third 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, 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.

4. Payment

Upon the seller's fulfillment of delivery to the slaughter plant selected by the buyer and Clearing House receipt of visual grading results, the Clearing House shall release 90% of the funds to the seller. Remaining funds will be released to the seller upon the completion of final carcass grade and yield results. Title to each delivered unit shall pass to the buyer when the delivered unit is weighed and placed in a holding pen for slaughter at the approved slaughter plant selected by the buyer.

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.

b. Weight Deviations. Resulting carcasses weighing less than 500 pounds shall be deliverable at a per pound adjustment equal to the 400-500 lbs factor described in Section 10103.A. Resulting carcasses weighing 500 pounds but less than 550 pounds shall be deliverable at a per pound adjustment equal to the 500-550 lbs factor described in Section 10103.A. Resulting carcasses weighing more than or equal to 550 pounds but less than 600 pounds shall be deliverable at a per pound adjustment equal to the 550-600 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 900 pounds but less than or equal to 1000 pounds shall be deliverable at a per pound adjustment equal to the 900-1000 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1000 pounds but less than or equal to 1050 pounds shall be deliverable at a per pound adjustment equal to the 1000-1050 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 1050 pounds shall be deliverable at a per pound adjustment equal to the over 1050 lbs factor described in Section 10103.A. The per animal carcass weight adjustment shall equal the per pound adjustment multiplied by the average live weight of the delivery unit.

c. Yield Deviations. Delivery units with an actual average hot yield over or under 63% shall be deliverable with an adjustment computed by dividing the actual hot yield by 63% (the par hot yield), subtracting 1, multiplying the result by the settlement price, and then multiplying by the total live weight of 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.

e. Quality Grade Deviations. Delivery units resulting in 55% USDA Choice grade carcasses and 45% USDA Select grade carcasses are deliverable at par. All gradeable carcasses in a delivery unit shall receive a quality grade adjustment computed from the factors described in Rule 10103.A. The Live Equivalent Choice-Select Spread (LECSS) and other factors are defined in Rule 10103.A. Per pound quality grade adjustments shall be as follows: USDA Prime: $+0.45 \times \text{LECSS} + \text{Prime factor}$ USDA Choice: $+0.45 \times \text{LECSS}$ USDA Select: $-0.55 \times \text{LECSS}$ USDA Standard: $+0.45 \times \text{LECSS} + \text{Standard factor}$ Below USDA Standard: $+0.45 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$

Carcasses deemed ungradeable 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, 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.

h. Delivery Points and Allowances. Buyers electing carcass grading must specify an approved slaughter plant enumerated by the Exchange. Eligible slaughter plants include those enumerated for the stockyards to which the cattle were tendered, and any other approved slaughter plant that is within 200 miles of the originating feedlot.

i. Payment for Deviations. For the purpose of computing adjustments resulting from deviations from the par delivery unit the settlement price at the time the Certificate is tendered by the clearing member representing the seller will be used.

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. Approved slaughter plants normally grading after one Business Day must hold carcasses falling in the top third of 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 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.

c. Weighing. The weight at the slaughter plant will be used as the live delivery weight and for purposes of calculating the resulting hot yield. If, in the judgment of the USDA Meat Grader, one or more of the steer(s) in the load do not generally conform with the contract specifications, the objectionable steer(s) will be removed 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 removed steer(s) until the minimum live weight is achieved. Weighing shall be done promptly upon arrival at

the slaughter plant. USDA Meat Grading Service Personnel will supervise weighing by slaughter plant employees, and shall record total net weight and number of head of cattle, lot number and/or pen number and the date weighed. After weighing, the cattle shall be sealed in a holding pen prior to 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 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 Grading, Weighing, 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, in the opinion of the USDA Meat Grader, 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 seller shall be penalized \$0.015 per pound each Business Day, payable to the Exchange, until proper delivery is made.

In these and all other delivery matters, the determination of the USDA Meat Grader shall be final and binding on all parties.

10. Exchange Certificate

The rules of the Exchange in regard to the Exchange Inspection Certificate are not applicable to delivery under this Chapter.

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.
3. On any Business Day that would result in a live delivery being scheduled on Christmas Eve or New Year's Eve.

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 requires delivery on the eighth 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 Business Day the slaughter plant is in operation between the fourth Business Day and the eighth Business Day, inclusive, following tender of that Certificate.

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 200 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 eighth Business Day following the day of tender 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.B. Posting

By 4:35 p.m. the Clearing House shall post a list of the tendered and retendered Certificates specifying delivery points and accrued retender charges. Demand Notices and Reclaim Notices may be presented only for Certificates which are included on the list.

10104.C. Demand Notice

A clearing member representing a long may present a Demand Notice for the purpose of securing priority in the assignment of a Certificate of Delivery. The following rules govern Demand Notices:

1. The Demand Notice shall be presented to the Clearing House (on a form prescribed by the Clearing House) by 5:00 p.m. on any Business Day on which Certificates are tendered or retendered.
2. The Demand Notice shall specify: the date the long position was established, the buyer's choice (if any) for delivery points, and the minimum amount of accrued retender charges acceptable to the buyer.
3. A Certificate assigned to a Demand Notice may not be retendered.
4. A Demand Notice which is not assigned a Certificate on the day of presentment is void.

10104.D. Retender

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

1. A Certificate may only be retendered twice. A long that has been assigned a Certificate which has been retendered twice must take delivery.
2. A Certificate that has been assigned to a Demand Notice may not be retendered.
3. A Certificate may not be retendered after the last Trading Days of the contract month.
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.
5. The retendering long will be assessed a retender charge of \$.01 per pound (\$400 per contract). The retender charges accrue to the Certificate and are payable to the long exercising the Certificate or to the reclaiming short.

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.

10104.F. Assignment of Certificates

The Clearing House shall assign Certificates and notify the clearing member representing the long on the day of tender or retender. Assignments shall be made in the following order:

1. Newly-tendered Certificates and retendered Certificates shall be assigned to Demand Notices which specify delivery points and retender charges which match those of the Certificate. In the case of duplication, the Certificate shall be assigned to the Demand Notice submitted by the long with the oldest long position. In the case of Demand Notices with long positions established on the same date, the time the Demand Notice was submitted to the Clearing House will determine priority.
2. Retendered Certificates which have not been assigned to Demand Notices will be assigned to Reclaim Notices, if any.
3. Retendered Certificates and newly-tendered Certificates which have not been demanded or reclaimed will be assigned to long positions by matching the Certificates having the largest retender charges with the oldest long positions.

10104.G. Payments for Tender and Retender

1. All payment shall be by wire transfer of funds or by certified or cashier's check presented to the Clearing House.
2. Payment for an assigned Certificate must be submitted to the Clearing House by 12:00 noon on the Business Day after a tendered or retendered Certificate is assigned. The assignee shall submit payment equal to the settlement price on the day of assignment less accrued retender charges times the par weight, 40,000 pounds.
3. Payment received for a newly-tendered Certificate shall be retained by the Clearing House until the Certificate is reclaimed or until cattle conforming with contract specifications are delivered.
4. The Clearing House shall remit payment received for a retendered Certificate to the retenderer by the close of business on the Business Day following the day of retender.