

Special Executive Report

S-5493

September 26, 2011

*****REMINDER*****

LIVE CATTLE FUTURES AMENDMENTS
EFFECTIVE WITH THE OCTOBER 2011 CONTRACT MONTH

As previously announced in Special Executive Reports S-5248 dated May 21, 2010 and S-5256 dated June 1, 2010, **the delivery specifications for Live Cattle futures have changed, beginning with the October 2011 contract month:**

- The radius for determining the corresponding CME-approved slaughter plants for each live-graded delivery point has increased from 150 miles to 200 miles;
- The maximum distance between the feedlot from which cattle originate and any other eligible CME-approved slaughter plants has increased from 150 miles to 200 miles;
- The maximum par weight for individual animals in live-graded deliveries has increased from 1,475 pounds to 1,500 pounds; and
- Individual animals in live-graded deliveries weighing more than 1,500 pounds are not deliverable.

These changes apply to the October 2011 and subsequent contract months.

Rule amendments for these changes are presented below, with additions underlined and deletions bracketed and overstruck.

Chapter 7

Delivery Facilities and Delivery Procedures

704. APPROVED STOCKYARDS AND SLAUGHTER PLANTS FOR LIVE CATTLE

Deliveries on Exchange contracts of live beef cattle can be made only at public livestock yards and slaughter plants designated and approved for delivery by the Exchange.

A public livestock yard shall not be eligible for deliveries as an approved stockyard unless it is a stockyard within the definition of the Packers and Stockyards Act, 1921 as amended, and has received notice to that

effect from the Secretary of Agriculture. Approved stockyards shall be required to keep such records, make such reports and be subject to inspection and regulation by the Secretary of Agriculture, as provided in said Packers and Stockyards Act.

An approved slaughter plant shall, at a minimum, be federally inspected, slaughter primarily fed cattle in the normal course of business, have a fed cattle slaughter capacity of at least 500 head per day, have proper facilities for weighing and grading, and be located within ~~[approximately 150]~~ a 200-mile[s] radius of one or more approved stockyards.

Chapter 101 Live Cattle Futures

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, with no individual animal weighing less than 1,050 pounds or more than ~~[1,475]~~ 1,500 pounds. ~~[deliverable at par.]~~

(remainder of Rule 10103.B.4.a. unchanged)

- b. Weight Deviations. Steers weighing less than 1,050 pounds or more than ~~[1,550]~~ 1,500 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 950-1000 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.]~~

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]~~ 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.

(remainder of Rule 10103.C.1. unchanged)

5. Par Delivery and Substitutions.

- 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 ~~[150]~~ 200 miles of the originating feedlot.

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 ~~[450]~~ 200 miles of the feedlot and the distances to such approved slaughter plants.

(remainder of Rule 10104.A. unchanged)

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