

February 28, 2014

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Live Cattle Futures Contract.  
CME Submission No. 14-071**

Dear Ms. Jurgens:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the delivery specifications and procedures for the Live Cattle Futures contract (Rulebook chapter: 101; Clearing Code: LC; CME Open Outcry Code: LC; CME Globex Code: LE; CME ClearPort Code: 48) beginning with the August 2015 contract month effective Sunday, March 16, 2014 for trade date Monday, March 17, 2017. In addition, the Exchange will temporarily delay the initial listing of the August 2015 contract month to coincide with the amendments to the delivery specifications such that the August 2015 contract month will be listed for trading on the CME trading floor and on CME Globex and for submission for clearing through CME ClearPort on Sunday, March 16, 2017 for trade date Monday, March 17, 2014.

Effective with the August 2015 delivery month, the amendments will allow heifers to be deliverable against the Live Cattle Futures contract but be subject to additional eligibility requirements. The amended conditions for heifer delivery are outlined below inclusive of the relative product rules that are impacted. The amendments to CME Rulebook chapter 101 (Live Cattle Futures) are also set forth below in blackline format in Appendix A.1 and A.2.

- Heifers will be subject to the same yield, quality and age specifications as steers (10101).
- Heifers will be deliverable at par value with steers (10103.B.4 and 10103.C.5).
- Delivery loads must be all-steers or all-heifers and noted as such on the delivery tender (10103.B.4.a, 10103.C.5.a, 10104.A).
- No individual heifer may weigh less than 1050 or more than 1350 pounds (10103.B.4.a & b).
- Discounts for hardbone and dark cutter carcasses are based on USDA 5-Area Weekly Weighted Average Direct Slaughter Cattle – Premiums and Discounts report (10103.A, 10103C.5.e).
- Heiferettes, cows and bred heifers are not deliverable for live deliveries (10103.B.4.a). A penalty of \$2.50/cwt. will be applied to a load of live heifers that is declared undeliverable (10103.B.8).
- USDA graders shall determine which animals are deliverable (10103.B.4.a & b, 10103.C.5.a).

- Parties tendering an all-heifer load will be required to sign two affidavits: the Progestin Supplement Affidavit and the Open Heifer Protocol Affidavit (10103.B.2, 10103.C.3). (see Appendix B).

The Exchange's staff collectively reviewed the designated contract market core principles (the "Core Principles") as set forth in the Commodity Exchange Act ("CEA") and identified the following Core Principles as potentially being impacted:

Compliance with the Rules: Trading in these contracts is subject to CME Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in these contracts is subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in these contracts is subject to monitoring and surveillance by CME Group's Market Regulation Department, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified. The rule amendments certified herein strengthen the ability of the Exchange to monitor and enforce compliance with the rules of the contract market, specifically in respect of compliance with contract terms and conditions pertaining to physical deliveries in fulfillment of the contract.

Contracts not Readily Susceptible to Manipulation: The rule amendments certified herein will increase the deliverable supply of animals capable of being delivered against futures contracts. Including heifers for delivery would have increased deliverable supply by 62% for 2013 (see Appendix C).

Prevention of Market Disruption: Trading in Live Cattle futures is subject to CME Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the physical delivery process. As with any product listed for trading on a CME Group designated contract market, trading activity in Live Cattle futures shall be subject to monitoring and surveillance by CME Group's Market Regulation Department. Amendments to contract terms and conditions certified herein further this purpose by including animals (steers and heifers) that are closely priced to be delivered at par value (see Appendix D).

Also, certain delivery procedures have been developed that account for the different biological nature of heifers and steers. The narrower deliverable weight range for heifers reflects the cash market experience in recent years (see Appendix E). The prohibition against live delivery of pregnant animals, the requirement for administration of open heifer protocols and use of estrus-suppressing feed additives are all designed to minimize the possibility of financial harm to a receiver of delivered heifers. More background on these issues is provided below.

Availability of General Information: The Exchange shall publish on its website information in regard to futures contract specifications, terms and conditions, and any changes to the delivery procedures. In this case, a market notification in the form of a Special Executive Report (SER) will be published.

### **Background on Current Proposal**

In early 2012, several cattle industry participants and producer groups, including the National Cattlemen's Beef Association ("NCBA") and the Texas Cattle Feeders Association ("TCFA") approached the Exchange requesting that the Exchange consider including heifers for delivery. Following these requests, CME conducted an extensive analysis of the benefits, drawbacks, and challenges of allowing heifer delivery. The CME engaged many key stakeholders and participants in the Live Cattle Futures contract, including a focus group of cattle feeders, long hedgers, beef packers, and others in the industry to gather insight on the reasons for and against heifer delivery.

Additionally, a survey was sent to over 60 cattle feeders, long hedgers, and beef packers to gather additional information on specific issues surrounding heifer delivery. Lastly, a proposal on the procedures to allow heifer delivery was circulated throughout the industry and was strongly supported. As a result of

this customer feedback, the Exchange plans to modify the delivery specifications for the Live Cattle Futures contract to allow heifer delivery effective for newly listed contract months pending CFTC approval.

### **Reasons for Heifer Delivery**

Feedback from a significant segment of the CME Live Cattle Futures customer base revealed strong desire to include heifers for delivery. Customers cited improved contract liquidity and performance as many heifers are currently not hedged in the Live Cattle Futures contract. The inclusion of heifers for delivery, then, would increase the commercial participation in the contract and lead to added liquidity, especially in the deferred months. Heifers are a critical component of the U.S. cattle market, comprising 40% of all fed cattle slaughtered. Heifers are raised, managed, marketed, and priced in the same manner as steers and should be included in the delivery specifications for the futures market. The inclusion of heifer delivery would bring greater continuity between the cash and futures markets, allowing the futures market to more accurately reflect the cash market.

It is important to note that steers and heifers are not managed or priced as different commodities in the cash market. In current cash markets, heifers are priced equally to steers, and in many cases were priced slightly higher than steers from 2008-2013 (see Appendix D). This equality in prices appears to have existed since the early 1990's (see Appendix D Figure D1) suggesting a long term stable relationship. While heifers were marketed at discounted prices to steers during the 1970's and early 1980's, these discounts have been erased due to improvements in beef genetics and feedlot management techniques. Currently, heifers are higher yielding, more uniform in carcass characteristics and size, and have higher quality grades. These positive factors have overcome any price depressive factors, leading to parity or slight premiums in heifer prices relative to steer prices.

Many customers noted the resulting increase in deliverable supply which would occur from adding heifer delivery. Research conducted by the Exchange estimates a 69% increase in deliverable supply would result from these rule changes. While Exchange research currently demonstrates there is no lack of deliverable supply and that convergence was reached for every month in 2013, increasing deliverable supply will be beneficial in the future if current cash marketing trends continue.

The cash marketing trend most relevant to the Live Cattle futures market is the decreased marketing of cattle on a "live negotiated" basis. Negotiated trades occur when the packer-buyer visits the feedlot to bid on cattle for slaughter in the coming two weeks and the feedlot accepts the bid or counters with a higher asking price. Cattle traded on a "live" basis have their selling price determined by the perceived carcass value of the live animal as opposed to a "carcass" basis where the animal is harvested, and priced according to the observed carcass value. The live negotiated trade is considered the cash market benchmark for the Live Cattle Futures contract and is the market from which most cash and futures comparisons and analysis are derived.

Recently, however, the number of cattle marketed on a live negotiated basis has been decreasing due to three factors: first, fewer total cattle being marketed, second, decreasing use of live basis pricing, and third the increasing popularity of non-negotiated marketing arrangements.

The number of steers and heifers slaughtered quarterly in the U.S. was slightly above 6.1 million head in the fourth quarter of 2013, up from the 1990-2013 low of 5.9 million steers and heifers slaughtered in the first quarter of 2013 but below the 1990-2013 average of 6.7 million head slaughtered (Appendix C, Figure C1). This decrease in steer and heifer slaughter has been driven by a general decrease in the U.S. cattle herd, caused by several factors including severe droughts and poor economic conditions for cattle producers.

Secondly, the number of steers and heifers marketed on a live basis has decreased during the past decade as well. This has been largely driven by producer preferences to market cattle on a dressed basis where carcass quality characteristics are more readily discernible. The percentage of cattle in the

USDA 5-Area<sup>1</sup> region marketed under live pricing arrangements fell from 43% in December, 2005 to 32% in December 2013 (see Appendix C Figure C2).

Thirdly, the number of live basis, negotiated price cattle marketings has also been decreasing over the past decade. In 2001, when the earliest data on the number of cattle sold by marketing arrangement begins, nearly 80% of cattle sold on a live basis had negotiated prices. Since then, there has been a steady decrease in live negotiated trade and currently only 50% of 5-Area cattle sold on a live basis have negotiated prices (Appendix C, Figure C3). This decrease has been driven by cattle producers' desire to use other marketing methods to further manage risk or to more accurately assess the value of cattle.

The cumulative effect of these three cash market trends, decreasing U.S. cattle herd numbers, decreasing preference for live trade, and decreased preference for negotiated trades, has led to a dramatic decline in the 5-Area live, negotiated cattle trade. The live negotiated trade accounted for approximately 40% of all 5-Area cattle trade in December 2005 and has since fallen to only 17% of 5-Area cattle trade in December, 2013 (Appendix C, Figure C4).

The number of live, negotiated trade cattle is of interest to the Exchange because it is the best estimate of the number of cattle which are freely available to be delivered against open futures contracts. Accordingly, factors influencing the live negotiated trade directly influence deliverable supply for the Live Cattle Futures contract. Cattle marketed on a dressed basis or under formula, forward contract, or negotiated grid basis are generally contracted or committed to the packer many weeks in advance and cannot be delivered against futures contracts. Therefore, these marketings are not typically included in deliverable supply analysis.

The Exchange contends allowing heifers to be delivered against its Live Cattle Futures contract is a proactive step to ensuring the longevity and long-run performance of the contract. Allowing heifer delivery would have increased the total deliverable supply for the Live Cattle contract in 2013 by 69%. This substantial increase in deliverable supply is a major step toward eliminating potential supply constraints and ensuring the future contract performance of the Live Cattle contract.

### **Response to Potential Criticisms of Heifer Delivery**

During focus group sessions and through the public comment period, two primary concerns with heifer delivery were identified: pregnant animals and the initiation of estrus during delivery. The Exchange conducted thorough research on each of these topics and presents the following evidence to address these concerns.

The first objection to heifer delivery raised by some market participants is the potential for pregnant heifers to be delivered. Delivery of a pregnant heifer would be detrimental to the receiver as a pregnant heifer that is presented for slaughter will yield less meat than a comparably weighted non-pregnant (open) heifer, due to removal of the fetal portions during the slaughtering process. While allowing heifer delivery only under the current carcass graded delivery specifications would ensure a taker of delivery is not economically disadvantaged by receiving pregnant heifers, the option of carcass grading may not always be economically available to the taker of delivery.

The incidence of pregnant heifers was studied during the 2011 Beef Quality Assurance Audit (a national audit of U.S. beef production, including a meat quality survey of 10,000 carcasses) and was found to be an extremely low rate among slaughtered heifers. The study found a statistically insignificant 1.4% of all slaughtered heifers were pregnant. Based on this finding, it appears improved management techniques have virtually eliminated pregnant animals from normal production, marketing, and slaughter channels.

<sup>1</sup> The USDA 5-Area region includes the Texas/Oklahoma/New Mexico; Kansas; Nebraska, Colorado; and Iowa/Minnesota regions. The 5-Area region most closely represents the CME Live Cattle delivery territory and contains the vast majority of fed cattle marketings. The 5-Area region is also widely regarded as the benchmark market for US cash cattle markets.

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Beyond the statistical evidence showing the extremely low incidence of pregnant heifers, practical economics create a dis-incentive for feedlots to deliver pregnant animals. Pregnant heifers have lower feed efficiency (pounds of feed consumed per pound of weight gain) and do not gain the fat cover of non-pregnant animals. These two biological facts mean that feedlots incur a much greater cost to feed a pregnant heifer and, upon marketing that heifer to a packing plant, will receive a lower price (based on quality grade) for pregnant animals than non-pregnant animals. Furthermore, the only *potential* economic advantage which could occur from delivering a pregnant heifer against an open futures position would be a slight (less than 100 pounds) increase in the animal's live weight. However, the aforementioned decrease in fat cover and quality grade would invite price discounts greater than any potential weight-based revenue gain. Thus, the economics of cattle production, and the CME Live Cattle delivery process erase any incentive to deliver a pregnant animal.

Because of the costs of feeding a pregnant heifer, nearly all commercial feedlots take great precautions to avoid feeding pregnant animals. Most heifers are examined for pregnancy upon entering the feedlot, are separated from any other male cattle, and are given a feed additive which will "stall" the reproductive cycle at the stage where pregnancy cannot occur. Therefore, because of the great costs of feeding pregnant animals and the efforts put forth to avoid feeding them, there is a near-zero probability of a pregnant heifer being delivered against the Exchange's Live Cattle Futures contract.

While the probability of a pregnant animal being delivered against the Live Cattle Futures contract is extremely low, the Exchange contends that concerns regarding pregnant heifers can be eliminated by requiring deliverers to administer an open heifer protocol. The open heifer protocol virtually eliminates the probability of pregnant heifers being delivered by requiring the deliverer to document that treatments were given to heifers after entering the feedyard. Such treatment protocols are widely used in the industry and do not require deliverers to alter production practices, only to certify that such practices were administered. Similar certifications are currently used in the cash marketing of feeder cattle. Between the currently low probability of pregnant animals being delivered and the requirement for an open heifer protocol to be administered, the probability of taking delivery of a pregnant heifer will be extremely close to zero.

The second potential reproductive concern with delivering heifers is the initiation of estrus during or shortly after delivery. Estrus is the sexually receptive stage of the bovine reproductive cycle, when the animal is "in heat". Heifers in estrus will ride each other, posing welfare risks (falls, lame cattle, etc.) and may increase the likelihood of dark cutter animals, a condition that results in a loss of meat value due to a change in coloration. Nearly all commercial feedlots use the feed additive *melengestrol acetate* (MGA) to suppress estrus in feedlot heifers. Responses from an industry-wide survey administered by the Exchange this past Fall revealed 90% of cattle feeders feed MGA to all heifers for the duration of the feeding period. Only 5% did not use MGA (those cattle feeders were all smaller "farmer feeders" who are historically very unlikely to use futures to manage risk) and 5% did not feed MGA to pens with both steers and heifers (such "mixed pens" would be undeliverable under the proposed rules).

Concerns about estrus and MGA revolve around the removal of heifers from the additive. Once removed from MGA, the estrous cycle will begin and heifers will reach estrus shortly thereafter. The effects of removing heifers from MGA are so reliable and pronounced that removal from MGA is occasionally used to synchronize the cycles of several heifers for artificial insemination<sup>2,3</sup>. Some market participants are concerned that removing heifers from MGA for delivery against the Live Cattle Futures contract would result in those heifers reaching estrus during or shortly after completing the delivery.

<sup>2</sup> Wood, S.L., M.C. Lucy, M.F. Smith, and D.J. Patterson. 2001. *Improved synchrony of estrus and ovulation with the addition of GnRH to a melengestrol acetate-prostaglandin F2alpha synchronization treatment in beef heifers*. J. of Anim. Sci., 79:2210-2216.

<sup>3</sup> Bloss, R.E., J.I. Northam, L.W. Smith, and R.G. Zimbelman. 1966. *Effects of Oral Melengesterol Acetate on the Performance of Feedlot Cattle*. J. of Anim. Sci., 25:1048-1053.

Exchange research, however, shows these concerns are unfounded. Conversations<sup>4</sup> with veterinarians, reproductive physiologists, and feedlot management specialists and published academic research indicate the expression of estrus in most heifers begins from 36 to 48 hours after removal from an estrus-suppression feed additive<sup>5,6</sup>. The results of the Exchange's industry survey showed the elapsed time from when steers are removed from their feedlot pen, shipped to the delivery point stockyard, graded, and placed in a sealed pen for the buyer is, on average, only 11.2 hours. The maximum reported time steers were off feed was 20 hours. The standard deviation of the response data for this question was 6.3 hours, implying that 95% (assuming a normal distribution) of all cattle delivered against the Live Cattle Futures contract were off feed for less than 21.5 hours.

Because there is no difference in the handling, sorting, and shipping of steers versus heifers, there will be minimal differences in the length of time steers and heifers will be off feed for CME deliveries. Therefore, 99% of all heifers delivered against the Live Cattle Futures contract will be removed from MGA for less than 25.8 hours, substantially less than the 36 to 48 hours needed for estrus to begin following MGA removal. The Exchange contends these facts show removal from MGA will not present a significant problem for delivery of heifers under CME Live Cattle delivery specifications. Furthermore, by adding the requirement for delivering firms to administer estrus-suppressing feed additives, the probability of heifers exhibiting estrus during or immediately following delivery can be lowered to near-zero levels.

### **Steer and Heifer Weight Differences**

The proposed rule changes allow heifers to be delivered at par to steers but subject to different weight limits. Industry feedback and cash marketing data show heifers are finished and slaughtered at lighter weights than steers (owing to their smaller frame size). Heifers slaughtered in the USDA 5-Area cattle feeding region were, on average from 2008-2013, 132 pounds lighter than steers on a live weight basis (see Appendix E). This difference has increased over time, and from 2012 to 2013, heifers weighed 137 pounds less than their steer counterparts. Additional data from the USDA allows for the comparison of high and low weights. The lightest weight heifers were, from 2008 to 2013, 56 pounds lighter than steers. However, the heaviest heifers were 136 pounds lighter than the heaviest steers. All weight differences are statistically significant at the 1% level (see Table E1 in Appendix E).

The data clearly shows heifers are finished to and slaughtered at lighter weights than similar grade steers with the difference becoming more pronounced at heavier weights. The maximum weight for par delivery of steers is 1500 pounds, and the above USDA data shows the average difference between steer and heifer weights is approximately 150 pounds. This, combined with industry feedback, leads the Exchange to establish the maximum deliverable weight for heifers at 150 pounds less than the maximum par delivery weight for steers, or at 1350 pounds. The minimum par delivery live weight for heifers is proposed to match that for steers since animals below 1050 pounds are not generally considered as economically eligible for slaughter since a higher return will be received by retaining them in the feedyard for further weight gain. The Exchange continues to monitor the contract for further changes in the maximum weight limits.

<sup>4</sup> Including conversations Dr. Patsy Houghton, DVM; Dr. Jason Ahola, Professor of Animal Science at Colorado State University; Dr. Kraig Peel, Professor of Animal Science at Colorado State University; Dr. Gary Vogel, Associate Technical Advisor Elanco Animal Health, Dr. Gary Sizes, Pfizer Animal Health; Dr. Dave Patterson, Professor of Animal Science, University of Missouri; Dr. Tony Bryant, DVM, Veterinarian for 5-Rivers Cattle Feeding; and Dr. Chris Reinhardt, Feedlot Specialist, Kansas State University.

<sup>5</sup> Patterson, D.J., F.N. Kojima, J.E. Stegnet, J.F. Bader, G.A. Perry, D.J. Schafer, and M.F. Smith. 2004. *Review of Estrus Synchronization Systems: MGA*. Proceedings, Applied Reproductive Strategies in Beef Cattle, North Platte, Nebraska, September 1-2.

<sup>6</sup> Lamb, G. C. 2010. *Estrus Synchronization Protocols for Cows*. Proceedings, Applied Reproductive Strategies in Beef Cattle, San Antonio, Texas, January 28-29.

### **Protections for Takers of Delivery**

A penalty of \$.015 per hundredweight currently exists for presenting an undeliverable or unsuitable load of steers. An undeliverable or unsuitable load is typically one in which the final total delivery unit weight falls outside the acceptable range of 38,000 to 42,000 pounds. In both steer and heifer deliveries, animals are eliminated from the final total delivery unit weight if they are unmerchantable (e.g. crippled or sick), unable to be further transported by truck, over/under the specified individual weight range, more than 30 months of age, or have unacceptable breeding.

In live heifer deliveries, an undeliverable load could also be caused by the rejection of pregnant or previously pregnant (heiferettes or cows) animals by the USDA grader. In order to minimize the possibilities for pregnant animals to be presented for live delivery, the penalty for an undeliverable live load of heifers will be set at \$.025 per hundredweight. This higher penalty, which would only be applied if the maker of delivery is not able to replace the rejected animal at the time of delivery due to the unavailability of substitutable animals, is due to the greater difficulty in assessing pregnant animals during the live grading process and is thought to be sufficient to deter attempts at delivering them. No such additional penalty is necessary for pregnant heifers presented for a carcass delivery because the final weight is adjusted to eliminate any portions pertaining to the fetus. Discounts for any dark cutter or hardbone (advanced bone ossification, typically seen in older animals or previously pregnant animals) carcasses will be assessed in accordance with market values as reflected in the relevant weekly USDA report LM-CT169. In addition, makers of delivery must indicate on their delivery intention whether the delivered load will consist of heifers or steers, and a deliverable load cannot be a mix of heifers and steers.

### **Opposing Views**

Opposing views expressed concerning the changes included statements that the futures contract did not need alteration for purposes of increasing deliverable supplies or to improve futures-cash price convergence since both aspects were operating well under current delivery specifications. Additionally, potential receivers of heifer deliveries expressed concern that the animals could enter into estrus cycling during the delivery process with harmful consequences or that pregnant animals would be delivered, causing financial harm to a taker of delivery who intends to place the animals back on feed.

The Exchange contends that the possibilities for delivering pregnant animals will be minimized by relying on the ability of USDA graders to identify and eliminate those animals. In addition, affidavits will be required in which the deliverer of heifers must attest that open heifer protocols have been administered to the animals and that feed additives for estrus suppression have been administered for at least 30 days and up until the last 15 hours before delivery. The 15 hour time frame was chosen as it falls at the 90<sup>th</sup> percentile of the estimated distribution of the length of time steers are off feed before delivery and corresponds to 6:00 PM the day before delivery. Affidavits are commonly used in the cattle cash market for deliverers of animals to attest to following various feeding restrictions, for attesting to the animal's country of origin and the openness of heifers.

Other commenters desired to allow heifer deliveries with a higher maximum weight and no additional penalty for an undeliverable load of heifers. As noted previously, the Exchange believes that the proposed maximum deliverable weight is consistent with the current cash market weight range, and we will continue to monitor for any further needed adjustments in both steer and heifer weight specifications.

Lastly, some objected to the imposition of a penalty for an undeliverable load of heifers that exceeds the penalty for steers. As explained previously, a higher penalty is proposed in order to deter attempts at delivering heifers that are pregnant. Further, the Exchange will make it clear in notifying the market of these proposed changes that the penalty for an undeliverable load will only apply if the delivering firm is unable to replace the rejected animal(s) at the time of delivery, which is consistent with how the penalty is applied currently when an undeliverable load of steers is presented.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A. 1 – Rule amendments  
Appendix A. 2 – CME Rulebook Chapter 101 (entire chapter)  
Appendix B – Affidavits for Heifer Delivery  
Appendix C – Deliverable Supply Analysis  
Appendix D – Price Data  
Appendix E – Weight Data

## **Appendix A.1**

(underscore denotes additions; ~~striketrough~~ denotes deletions)

(rule amendments for all contract months beginning with the August 2015 contract month)

### **CME Chapter 101 Live Cattle Futures**

#### **10101. CONTRACT SPECIFICATIONS**

Each futures contract shall be for 55% Choice, 45% Select, Yield Grade 3 live steers or live heifers, as defined by the United States Department of Agriculture (USDA) "Official United States Standards for Grades of Slaughter Cattle", or producing 55% Choice, 45% Select, Yield Grade 3 steer or heifer carcasses, as defined by "Official United States Standards for Grades of Carcass Beef".

#### **10102. TRADING SPECIFICATIONS**

##### **10102.B. Trading Unit**

The unit of trading shall be 40,000 pounds of 55% Choice, 45% Select grade live steers or live heifers.

#### **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, Hardbone, Dark Cutter, 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**

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## 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.

Delivering sellers must comply with all federal and Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

## 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 or live heifers, with no individual ~~steer animal~~ weighing less than 1,050 pounds or more than 1,500 pounds and no individual heifer weighing less than 1,050 pounds or more than 1,350 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

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. Animals deemed to be heiferettes, cows or bred heifers shall not 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. Heifers weighing less than 1,050 pounds or more than 1,350 pounds shall not be deliverable. 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.

\* \* \* \* \*

d. Yield Grade Deviations. ~~Steers~~ Animals with an estimated yield grade of 3 are deliverable at par. Each ~~steer animal~~ 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 or heifers and 45% USDA Select grade steers or heifers 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.

\* \* \* \* \*

### 8. Penalties

If, in the opinion of the USDA grader, the seller fails to present a load of ~~cattle~~ steers, or fails to present ~~cattle~~ steers 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 seller fails to present a load of heifers, or fails to present heifers 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 \$.025 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.

### 10103.C. Carcass Graded Deliveries

\* \* \* \* \*

### 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, 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.

Delivering sellers must comply with all federal or Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

\* \* \* \* \*

### 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 or live heifers 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. A delivery unit must consist entirely of steers or entirely of heifers.

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 determinations 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.

\* \* \* \* \*

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 with hardbone or dark cutter characteristics shall be deliverable at per pound adjustments equal to the factors described in Section 10103.A.

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.

\* \* \* \* \*

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~~ an animal 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~~ an animal 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~~ an animal 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

\* \* \* \* \*

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~~ animal(s) in the load do not generally conform with the contract specifications, the objectionable ~~steer~~ animal(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~~ animal(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.

### **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; and (4) whether steers or heifers will be delivered.

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.

## **Appendix A.2**

(underscore denotes additions; ~~striketrough~~ denotes deletions)

(entire chapter)

### **CME Chapter 101 Live Cattle Futures**

#### **10100. SCOPE OF CHAPTER**

This chapter is limited in application to Live Cattle futures. In addition to this chapter, Live Cattle futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

#### **10101. CONTRACT SPECIFICATIONS**

##### **FOR ALL CONTRACT MONTHS PRIOR TO AUGUST 2015**

Each futures contract shall be for 55% Choice, 45% Select, Yield Grade 3 live steers, as defined by the United States Department of Agriculture (USDA) "Official United States Standards for Grades of Slaughter Cattle", or producing 55% Choice, 45% Select, Yield Grade 3 steer carcasses, as defined by "Official United States Standards for Grades of Carcass Beef".

##### **FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2015**

Each futures contract shall be for 55% Choice, 45% Select, Yield Grade 3 live steers or live heifers, as defined by the United States Department of Agriculture (USDA) "Official United States Standards for Grades of Slaughter Cattle", or producing 55% Choice, 45% Select, Yield Grade 3 steer or heifer carcasses, as defined by "Official United States Standards for Grades of Carcass Beef".

#### **10102. TRADING SPECIFICATIONS**

##### **10102.A. Trading Schedule**

Futures contracts shall be scheduled for trading during such hours and delivery in such months as may be determined by the Exchange.

##### **10102.B. Trading Unit**

##### **FOR ALL CONTRACT MONTHS PRIOR TO AUGUST 2015**

The unit of trading shall be 40,000 pounds of 55% Choice, 45% Select grade live steers.

##### **FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2015**

The unit of trading shall be 40,000 pounds of 55% Choice, 45% Select grade live steers or live heifers.

##### **10102.C. Price Increments**

Minimum price fluctuations shall be by multiples of \$.00025 per pound.

##### **10102.D. Daily Price Limits**

There shall be no trading at a price more than \$.030 per pound above or below the previous day's settlement price.

##### **10102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

##### **10102.F. [Reserved]**

##### **10102.G. [Reserved]**

#### **10102.H. Termination of Trading**

Trading shall terminate on the last Business Day of the contract month.

#### **10102.I. [Reserved]**

### **FOR ALL CONTRACT MONTHS PRIOR TO AUGUST 2014**

#### **10103. SETTLEMENT PROCEDURES**

In addition to the procedures or requirements of Chapter 7, the following shall specifically apply to the delivery of live beef cattle:

##### **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, 550-600 lbs. 900-950 lbs. and 950-1000 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 seven 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 seventh Business Day following the first Friday of the contract month.

###### **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 1,500 pounds shall not be deliverable.

The judgment of the grader as to such overweight or underweight cattle shall be final.

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; Tulia, 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 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, 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 day of the contract month on which the approved slaughter plant selected by the buyer is in operation, and on the first seven 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 fourth Business Day following the first Friday of the contract month

#### 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, 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, 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 550 pounds or more than 1000 pounds shall be deliverable at a per pound discount of 20% of the settlement price. 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 950 pounds shall be deliverable at a per pound adjustment equal to the 900-950 lbs. factor described in Section 10103.A. Resulting carcasses weighing more than 950 pounds but less than or equal to 1000 pounds shall be deliverable at a per pound adjustment equal to the 950-1000 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.

## **FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2014 THROUGH JUNE 2015**

### **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:  $+0.45 \times \text{LECSS} + \text{USDA Choice factor}$   
USDA Select:  $-0.55 \times \text{LECSS} + \text{USDA Select factor}$   
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; Tulia, 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 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, 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 600 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.

### **FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2015**

#### **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, Hardbone, Dark Cutter, 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.

Delivering sellers must comply with all federal and Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

#### **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 or live heifers, with no individual animal weighing less than 1,050 pounds or more than 1,500 pounds and no individual heifer weighing less than 1,050 pounds or more than 1,350 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

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. Animals deemed to be heiferettes, cows or bred heifers shall not 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. Heifers weighing less than 1,050 pounds or more than 1,350 pounds shall not be deliverable. 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. Animals with an estimated yield grade of 3 are deliverable at par. Each animal 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 or heifers and 45% USDA Select grade steers or heifers 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; Tulia, 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 steers, or fails to present steers 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 seller fails to present a load of heifers, or fails to present heifers 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 \$.025 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 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, 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.

Delivering sellers must comply with all federal or Exchange policies concerning any affidavit that may be required for delivery of cattle.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been given an approved estrus-suppressing progestin additive. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

Delivery of heifers requires delivering sellers to sign an Exchange affidavit attesting that the heifers have been administered an approved open heifer protocol. This affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.

## 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 or live heifers which produce Yield Grade 3, 55% Choice, 45% Select grade carcass beef, with no individual carcass weighing less than 600 pounds or more than 900 pounds. A delivery unit must consist entirely of steers or entirely of heifers.

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 determinations 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 with hardbone or dark cutter characteristics shall be deliverable at per pound adjustments equal to the factors described in Section 10103.A.

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), than 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 an animal 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 an animal 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 an animal 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 animal(s) in the load do not generally conform with the contract specifications, the objectionable animal(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 animal(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.

### **FOR ALL CONTRACT MONTHS PRIOR TO AUGUST 2014**

#### **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 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 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 Days) 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 changes 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.

**FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2014 THROUGH JUNE 2015**

**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.

### **FOR ALL CONTRACT MONTHS BEGINNING WITH AUGUST 2015**

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

##### **10104.A. Tendering a Certificate**

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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.

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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; (3) any other approved slaughter plants within 200 miles of the feedlot and the distances to such approved slaughter plants and (4) whether steers or heifers will be delivered. 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.

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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.
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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.

#### **10105. [RESERVED]**

(End Chapter 101)

#### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 101**

In response to the regulations issued on January 12, 2004 by the United States Department of Agriculture, Food Safety and Inspection Service ("USDA-FSIS"), in Docket No. 03-025IF, and supplemented in USDA FSIS Notice 05-04, issued on January 12, 2004, any and all cattle aged 30 months or more are not deliverable for either live or carcass delivery pursuant to Rules 10103.B. and 10103.C.

**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.

**Appendix B**

**Affidavits for Heifer Delivery**

**(all new text)**

**Live Cattle Progestin Supplement Affidavit**

*\*\*\*This Affidavit is only required for tendered deliveries of heifer cattle\*\*\**

Whereas an affidavit is deemed by the Chicago Mercantile Exchange, Inc. ("CME") as a record of production practices, I attest through firsthand knowledge, normal business records, or producer affidavits, that these heifers being tendered for delivery on the CME Live Cattle Futures contract were given a CME approved protocol for an estrus-suppressing progestin for a minimum of 30 continuous days before the scheduled delivery date. Furthermore, I attest these heifers had this same estrus-suppressing progestin made available to them no longer than 15 hours before 9:00 AM on the day of delivery.

I attest that the records reflecting production practices for all heifers delivered against the CME Live Cattle Futures contract are available for inspection for the sole purpose of compliance with an audit from CME 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.***

## Live Cattle Open Heifer Protocol Affidavit

*\*\*\*This Affidavit is only required for tendered deliveries of heifer cattle\*\*\**

Whereas an affidavit is deemed by the Chicago Mercantile Exchange, Inc. ("CME") as a record of production practices, I attest through firsthand knowledge, normal business records, or producer affidavits, that

- 1) These heifers being tendered for delivery on the CME Live Cattle Futures contract were given a CME approved open heifer protocol (OHP) after being placed in the feedlot of the party tendering this Certificate of Delivery.
- 2) This CME approved OHP was not administered within 7 days of issuing the Certificate of Delivery, and
- 3) These heifers have not knowingly been exposed to a bull following the administration of the OHP.

I attest that the records reflecting production practices for all heifers delivered against the CME Live Cattle Futures contract are available for inspection for the sole purpose of compliance with an audit from CME 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.***

# Appendix C

## Deliverable Supply

weight of all steers+heifers sold per month in 5 AREA-negotiated (LM-CT180)												
1,000 lbs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2013</b>												
live head-steers	79,099	93,791	81,747	97,296	114,968	73,602	80,111	104,339	82,214	115,107	130,063	104,704
ave wt	1,389	1,393	1,369	1,336	1,327	1,357	1,372	1,392	1,409	1,407	1,413	1,411
weight	109,868,511	130,650,863	111,911,643	129,987,456	152,562,536	99,877,914	109,912,292	145,239,888	115,839,526	161,955,549	183,779,019	147,737,344
dressed head-steers	79,445	75,697	49,576	57,599	78,911	57,078	65,748	82,044	75,288	80,275	66,033	45,733
ave wt	899	902	889	875	857	881	878	895	906	914	919	913
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,427	1,432	1,411	1,389	1,360	1,398	1,394	1,421	1,438	1,451	1,459	1,449
weight	113,366,754	108,378,879	69,957,244	79,998,611	107,344,011	79,818,600	91,629,752	116,554,571	108,271,314	116,462,460	96,324,329	66,276,554
<b>total steer weight</b>	<b>223,235,265</b>	<b>239,029,742</b>	<b>181,868,887</b>	<b>209,986,067</b>	<b>259,906,547</b>	<b>179,696,514</b>	<b>201,542,044</b>	<b>261,794,459</b>	<b>224,110,840</b>	<b>278,418,009</b>	<b>280,103,348</b>	<b>214,013,898</b>
live head-heifers	53,858	73,843	77,704	73,756	77,457	42,945	51,465	69,969	62,398	94,667	90,067	69,835
ave wt	1,263	1,277	1,260	1,226	1,190	1,209	1,234	1,254	1,250	1,263	1,276	1,263
weight	68,022,654	94,297,511	97,907,040	90,424,856	92,173,830	51,920,505	63,507,810	87,741,126	77,997,500	119,564,421	114,925,492	88,201,605
dressed head-heifers	55,712	55,040	38,026	42,467	44,814	27,288	43,095	49,367	49,494	50,848	34,736	29,052
ave wt	806	808	809	782	785	802	786	796	800	810	815	803
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,279	1,283	1,284	1,241	1,246	1,273	1,248	1,263	1,270	1,286	1,294	1,275
weight	71,275,987	70,590,984	48,830,213	52,713,006	55,839,667	34,738,057	53,766,143	62,374,813	62,849,524	65,376,000	44,936,254	37,029,271
<b>total heifer weight</b>	<b>139,298,641</b>	<b>164,888,495</b>	<b>146,737,253</b>	<b>143,137,862</b>	<b>148,013,497</b>	<b>86,658,562</b>	<b>117,273,953</b>	<b>150,115,939</b>	<b>140,847,024</b>	<b>184,940,421</b>	<b>159,861,746</b>	<b>125,231,376</b>
<b>total weight</b>	<b>362,533,906</b>	<b>403,918,237</b>	<b>328,606,140</b>	<b>353,123,929</b>	<b>407,920,044</b>	<b>266,355,076</b>	<b>318,815,997</b>	<b>411,910,398</b>	<b>364,957,864</b>	<b>463,358,430</b>	<b>439,965,094</b>	<b>339,245,274</b>
<b>2012</b>												
live head-steers	141,388	143,579	163,923	120,046	137,716	98,383	104,325	153,503	109,232	159,347	89,450	71,698
ave wt	1,362	1,359	1,337	1,310	1,320	1,345	1,377	1,378	1,396	1,394	1,391	1,401
weight	192,570,456	195,123,861	219,165,051	157,260,260	181,785,120	132,325,135	143,655,525	211,527,134	152,487,872	222,129,718	124,424,950	100,448,898
dressed head-steers	75,911	74,299	82,456	57,690	93,527	71,377	73,983	102,752	58,341	58,435	59,242	51,698
ave wt	902	896	886	876	875	885	891	907	918	922	916	910
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,432	1,422	1,406	1,390	1,389	1,405	1,414	1,440	1,457	1,463	1,454	1,463
weight	108,685,273	105,669,689	115,961,930	80,216,571	129,898,611	100,267,690	104,633,100	147,930,260	85,011,171	85,519,159	86,135,987	74,674,889
<b>total steer weight</b>	<b>301,255,729</b>	<b>300,793,550</b>	<b>335,126,981</b>	<b>237,476,831</b>	<b>311,683,731</b>	<b>232,592,825</b>	<b>248,288,625</b>	<b>359,457,394</b>	<b>237,499,043</b>	<b>307,648,877</b>	<b>210,560,937</b>	<b>175,123,787</b>
live head-heifers	116,760	141,573	159,974	98,674	100,641	74,654	61,923	107,908	89,309	121,243	67,638	52,997
ave wt	1,215	1,242	1,224	1,194	1,192	1,195	1,222	1,225	1,236	1,242	1,249	1,254
weight	141,863,400	175,833,666	195,808,176	117,816,756	119,964,072	89,211,530	75,669,906	132,187,300	110,385,924	150,583,806	84,479,862	66,458,238
dressed head-heifers	46,540	52,680	64,370	31,596	50,876	40,498	41,912	53,086	33,373	44,256	35,316	38,526
ave wt	797	813	801	823	796	798	796	796	810	812	827	807
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,265	1,290	1,271	1,306	1,263	1,267	1,254	1,263	1,286	1,289	1,313	1,281
weight	58,876,794	67,982,286	81,841,857	41,275,410	64,281,422	51,297,467	52,556,317	67,073,740	42,908,143	57,041,067	46,359,257	49,349,971
<b>total heifer weight</b>	<b>200,740,194</b>	<b>243,815,952</b>	<b>277,650,033</b>	<b>159,092,166</b>	<b>184,245,494</b>	<b>140,508,997</b>	<b>128,226,223</b>	<b>199,261,040</b>	<b>153,294,067</b>	<b>207,624,873</b>	<b>130,839,119</b>	<b>115,808,209</b>
<b>total weight</b>	<b>501,995,923</b>	<b>544,609,502</b>	<b>612,777,014</b>	<b>396,568,997</b>	<b>495,929,225</b>	<b>373,101,822</b>	<b>376,514,848</b>	<b>558,718,434</b>	<b>390,793,110</b>	<b>515,273,749</b>	<b>341,400,056</b>	<b>290,931,996</b>
<b>2011</b>												
live head-steers	134,104	160,808	228,542	146,516	142,892	155,505	148,633	173,928	170,647	170,145	164,758	143,683
ave wt	1,362	1,335	1,312	1,293	1,299	1,313	1,335	1,350	1,360	1,353	1,352	1,360
weight	182,649,648	214,678,680	299,847,104	189,445,188	185,616,708	204,178,065	198,425,055	234,802,800	232,079,920	230,206,185	222,752,816	195,408,880
dressed head-steers	106,035	121,290	116,919	68,250	88,547	98,700	104,692	88,881	102,620	63,677	67,626	89,600
ave wt	885	875	860	842	854	864	874	881	890	901	900	895
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,405	1,389	1,365	1,337	1,356	1,371	1,387	1,398	1,413	1,430	1,429	1,421
weight	148,953,929	168,458,333	159,603,714	91,216,667	120,030,378	135,360,000	145,239,378	124,292,319	144,971,111	91,068,217	96,608,571	126,521,746
<b>total steer weight</b>	<b>331,603,577</b>	<b>383,137,013</b>	<b>459,450,818</b>	<b>280,661,855</b>	<b>305,647,086</b>	<b>339,538,065</b>	<b>343,664,433</b>	<b>359,095,119</b>	<b>377,051,031</b>	<b>321,274,402</b>	<b>319,361,387</b>	<b>321,930,626</b>
live head-heifers	153,446	171,944	194,329	122,474	112,993	122,394	132,056	130,436	147,788	132,022	118,946	123,669
ave wt	1,221	1,224	1,202	1,172	1,164	1,171	1,190	1,196	1,213	1,207	1,209	1,213
weight	187,357,566	210,459,456	233,583,458	143,539,528	131,523,852	143,323,374	157,146,640	156,001,456	179,266,844	159,350,554	143,805,714	150,010,497
dressed head-heifers	73,472	71,163	92,420	52,492	45,252	60,649	62,250	53,719	76,636	44,879	44,048	63,959
ave wt	799	796	774	765	778	784	798	792	795	795	792	803
dressing pct	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
implied live wt	1,268	1,263	1,229	1,214	1,235	1,244	1,267	1,257	1,262	1,262	1,257	1,275
weight	93,181,156	89,913,886	113,544,571	63,740,286	55,882,629	75,474,311	78,850,000	67,532,457	96,707,333	56,633,024	55,374,629	81,522,344
<b>total heifer weight</b>	<b>280,538,722</b>	<b>300,373,342</b>	<b>347,128,029</b>	<b>207,279,814</b>	<b>187,406,481</b>	<b>218,797,685</b>	<b>235,996,640</b>	<b>223,533,913</b>	<b>275,974,177</b>	<b>215,983,578</b>	<b>199,180,343</b>	<b>231,532,841</b>
<b>total weight</b>	<b>612,142,298</b>	<b>683,510,355</b>	<b>806,578,848</b>	<b>487,941,668</b>	<b>493,053,566</b>	<b>558,335,750</b>	<b>579,661,073</b>	<b>582,629,032</b>	<b>653,025,208</b>	<b>537,257,980</b>	<b>518,541,730</b>	<b>553,463,467</b>

Figure C1

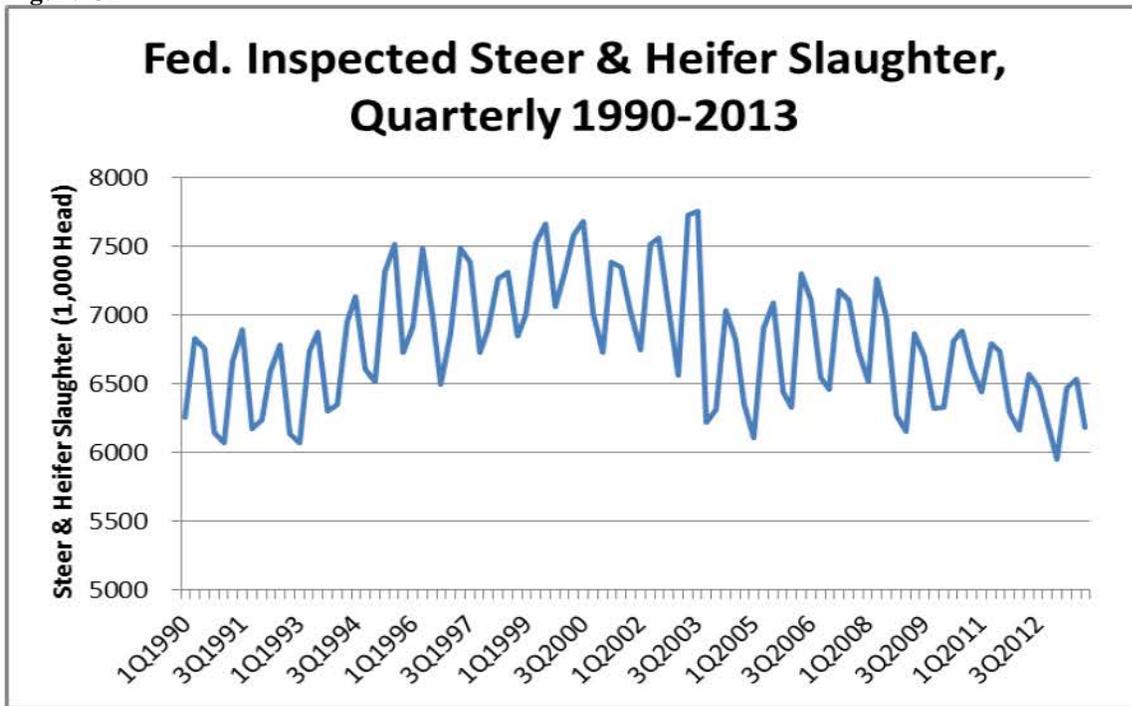


Figure C2

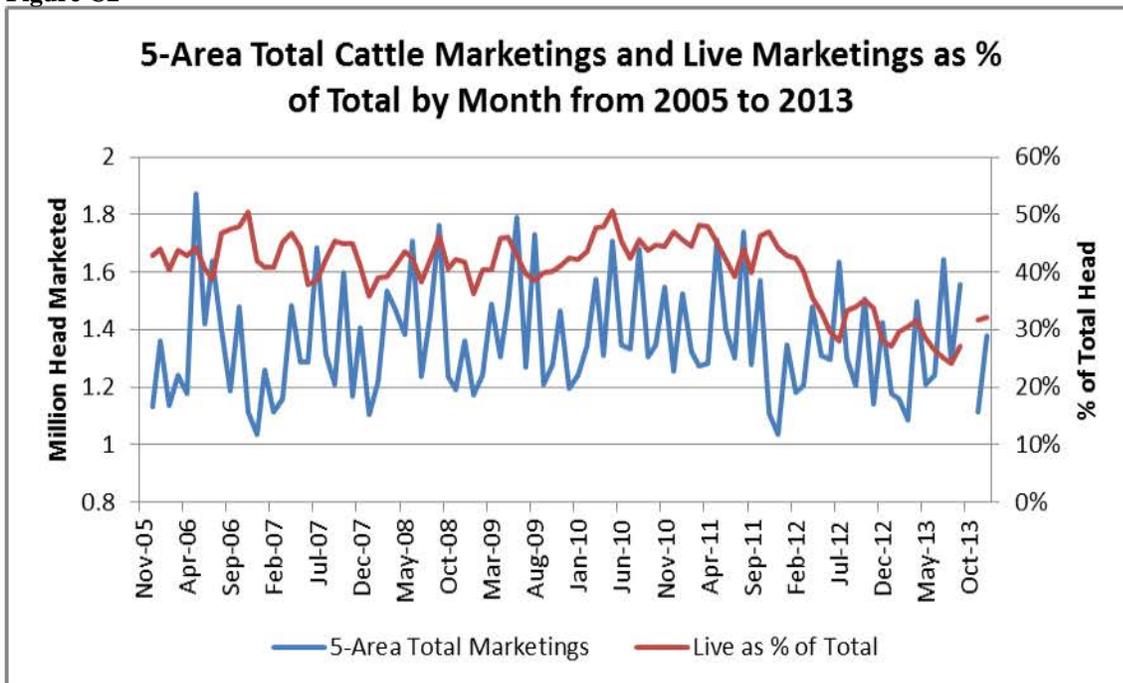


Figure C3

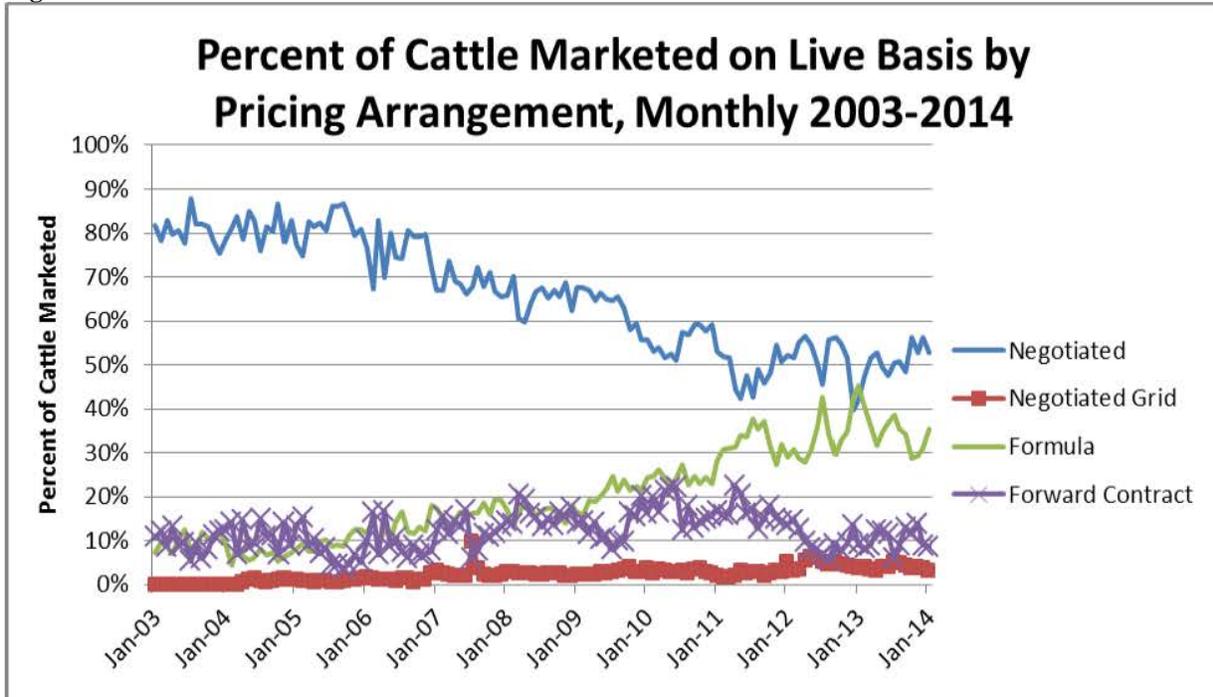
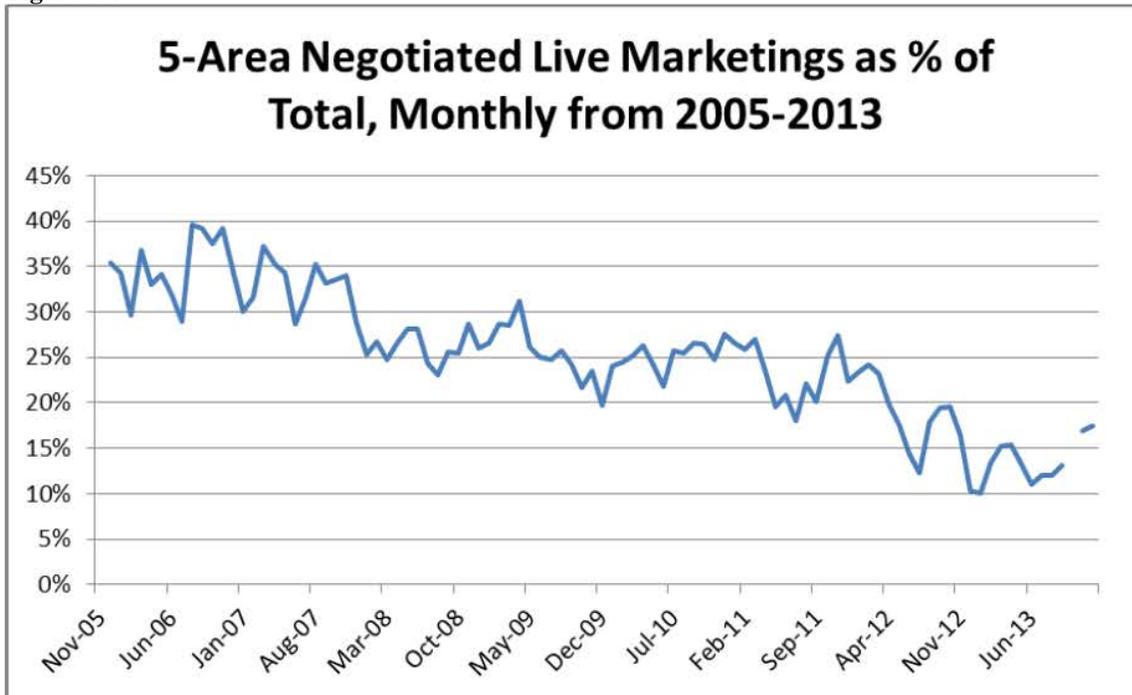


Figure C4



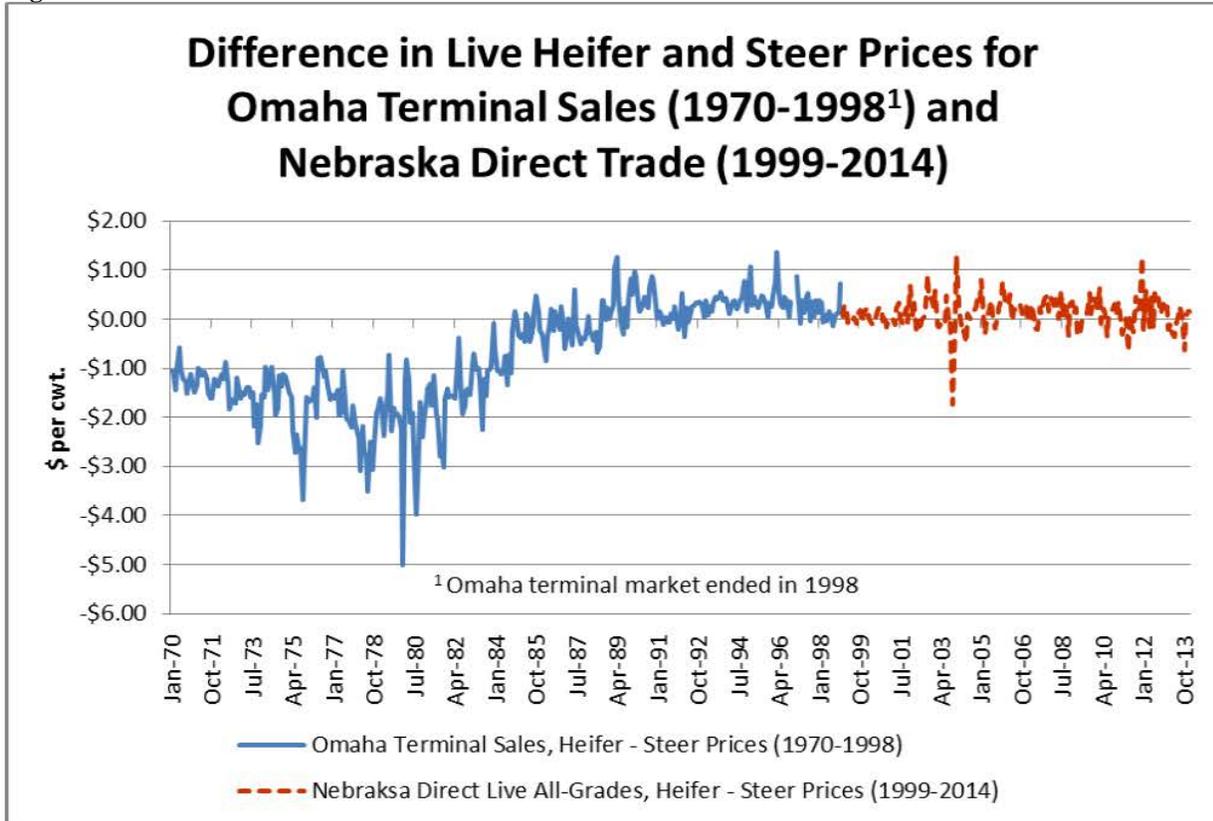
## Appendix D

### Price Data

**Table D1**

nego. prices													
heifer-5 area													
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average
2008	92.12	91.42	89.47	89.2	93.83	95.39	98.77	99	98.42	91.41	90.74	84.9	92.89
2009	83	81.37	82.07	86.79	84.8	81.82	82.75	82.75	83.91	83.79	84.13	81.79	83.25
2010	84.72	89.11	94.03	98.8	97.89	92.1	93.23	96.54	97.23	98.6	99.8	103.04	95.42
2011	105.76	108.32	116.12	119.62	110.07	107.67	111.09	113.81	117.31	120.61	123.91	121.84	114.68
2012	123.27	125.61	127.10	121.45	121.42	119.63	114.83	119.93	124.98	125.53	126.03	125.53	122.94
2013	124.79	124.93	126.71	127.4	125.87	120.93	119.81	123.05	123.9	129.04	131.68	131.84	125.83
steer-5 area													
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average
2008	91.8	91.44	89.39	89.19	93.9	95.39	98.53	98.88	98.15	91.18	90.64	84.84	92.78
2009	82.95	81.44	82.13	86.78	84.87	81.8	82.74	82.74	83.68	83.95	84.07	81.85	83.25
2010	84.8	89.2	94.33	98.74	98.01	92.24	93.18	96.21	97.02	98.26	99.6	102.97	95.38
2011	105.82	108.51	116.02	119.73	110.72	107.91	111.21	113.8	117.15	120.38	124.08	121.52	114.74
2012	123.39	125.43	127.06	121.67	121.36	119.71	114.64	119.82	124.6	125.13	125.96	125.53	122.86
2013	124.75	125.06	126.74	127.54	126.08	121.23	119.99	122.99	123.93	129.07	131.47	131.78	125.89
heifer minus steer													
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average
2008	0.32	-0.02	0.08	0.01	-0.07	0.00	0.24	0.12	0.27	0.23	0.10	0.06	0.11
2009	0.05	-0.07	-0.06	0.01	-0.07	0.02	0.01	0.01	0.23	-0.16	0.06	-0.06	0.00
2010	-0.08	-0.09	-0.30	0.06	-0.12	-0.14	0.05	0.33	0.21	0.34	0.20	0.07	0.04
2011	-0.06	-0.19	0.10	-0.11	-0.65	-0.24	-0.12	0.01	0.16	0.23	-0.17	0.32	-0.06
2012	-0.12	0.18	0.04	-0.22	0.06	-0.08	0.19	0.11	0.38	0.40	0.07	0.00	0.08
2013	0.04	-0.13	-0.03	-0.14	-0.21	-0.30	-0.18	0.06	-0.03	-0.03	0.21	0.06	-0.06

Figure D1



## Appendix E - weight data

ave. weights														
heifer-5 area														
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average	
2008	1184	1,189	1,182	1,165	1,155	1,166	1,188	1,198	1,205	1,210	1,204	1,206	1187.67	
2009	1,223	1,236	1,222	1,192	1,177	1,184	1,200	1,214	1,232	1,221	1,214	1,218	1211.08	
2010	1,224	1,210	1,212	1,170	1,156	1,172	1,185	1,199	1,200	1,193	1,207	1,220	1195.67	
2011	1,221	1,224	1,202	1,172	1,164	1,171	1,190	1,196	1,213	1,207	1,209	1,213	1198.50	
2012	1,215	1,242	1,224	1,194	1,192	1,195	1,222	1,225	1,236	1,242	1,249	1,254	1224.17	
2013	1,263	1,277	1,260	1,226	1,190	1,209	1,234	1,254	1,250	1,263	1,276	1,263	1247.08	
steer-5 area														
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average	
2008	1309	1,303	1,295	1,275	1,271	1,295	1,323	1,332	1,348	1,342	1,321	1,331	1312.08	
2009	1,347	1,342	1,337	1,315	1,294	1,312	1,333	1,356	1,364	1,356	1,353	1,347	1338.00	
2010	1,337	1,333	1,314	1,287	1,284	1,305	1,323	1,337	1,348	1,350	1,353	1,346	1326.42	
2011	1,362	1,335	1,312	1,293	1,299	1,313	1,335	1,350	1,360	1,353	1,352	1,360	1335.33	
2012	1,362	1,359	1,337	1,310	1,320	1,345	1,377	1,378	1,396	1,394	1,391	1,401	1364.17	
2013	1,389	1,393	1,369	1,336	1,327	1,356	1,372	1,392	1,409	1,407	1,413	1,411	1381.17	
heifer minus steer														
live all grades	january	february	march	april	may	june	july	august	september	october	november	december	average	
2008	-125.00	-114.00	-113.00	-110.00	-116.00	-129.00	-135.00	-134.00	-143.00	-132.00	-117.00	-125.00	-124.42	
2009	-124.00	-106.00	-115.00	-123.00	-117.00	-128.00	-133.00	-142.00	-132.00	-135.00	-139.00	-129.00	-126.92	
2010	-113.00	-123.00	-102.00	-117.00	-128.00	-133.00	-138.00	-138.00	-148.00	-157.00	-146.00	-126.00	-130.75	
2011	-141.00	-111.00	-110.00	-121.00	-135.00	-142.00	-145.00	-154.00	-147.00	-146.00	-143.00	-147.00	-136.83	
2012	-147.00	-117.00	-113.00	-116.00	-128.00	-150.00	-155.00	-153.00	-160.00	-152.00	-142.00	-147.00	-140.00	
2013	-126.00	-116.00	-109.00	-110.00	-137.00	-147.00	-138.00	-138.00	-159.00	-144.00	-137.00	-148.00	-134.08	

Table E1. Mean Steer and Heifer weights and Hypothesis Testing for USDA 5-Area All Grades Negotiated Trade cattle by reported Weighted Average Weight, Lowest Reported Weight, and Highest Reported Weight (Null hypothesis: Mean Heifer Wt. = Mean Steer Wt., Alternative Hypothesis: Mean Heifer Wt. < Mean Steer Wt.)

2008-2013 Averages						
	Lowest Weight		Wtd. Avg. Weight		Highest Weight	
	Heifers	Steers	Heifers	Steers	Heifers	Steers
Mean	1013	1069	1210	1343	1447	1569
Var	683	1736	823	1164	6308	17931
Hef-St	-56		-132		-122	
<u>Hypothesis Tests</u>						
df	72	72	72	72	72	72
T-test	-10.97		-76.93		-7.10	
Tcrit	-1.67		-1.67		-1.67	
P-value	0.000		0.000		0.000	
2012-2013 Averages						
	Lowest Weight		Wtd. Avg. Weight		Highest Weight	
	Heifers	Steers	Heifers	Steers	Heifers	Steers
Mean	1024	1088	1235	1372	1484	1620
Var	1077	1619	702	906	1077	1619
Hef-St	-64		-137		-136	
<u>Hypothesis Tests</u>						
df	24	24	24	24	24	24
T-test	-7.35		-42.92		-3.60	
Tcrit	-1.71		-1.71		-1.71	
P-value	0.000		0.000		0.001	