

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-231

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/22/21 Filing Description: Amendments to Rule 10103.B. ("Live Graded Deliveries"), Rule 10103.C. ("Carcass Graded Deliveries"), and Related Delivery Affidavits to Prohibit Redelivery of Cattle Within the Current Delivery Period in Live Cattle Futures

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: Live Cattle Futures

Rule Numbers: Rulebook Chapter 101

December 22, 2021

**VIA ELECTRONIC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulations 40.4(a)/40.5(a). Request for Approval. Amendments to Rule 10103.B. (“Live Graded Deliveries”), Rule 10103.C. (“Carcass Graded Deliveries”), and Related Delivery Affidavits to Prohibit Redelivery of Cattle Within the Current Delivery Period in Live Cattle Futures. CME Submission No. 21-231**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or Commission”) Regulations 40.4(a) and 40.5(a), Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) requests the Commission’s approval to amend Rule 10103.B. (“Live Graded Deliveries”), Rule 10103.C. (“Carcass Graded Deliveries”), and four (4) related Live Cattle Futures delivery affidavits to prohibit redelivery of cattle within the current delivery period for steers or heifers in connection with the Live Cattle Futures contract (Rulebook Chapter: 101; Clearing Code: 48; CME Globex Code: LE; CME ClearPort Code: 48) effective on February 7, 2022 and commencing with the February 2022 contract month and beyond (collectively, the “Rule Amendments”). There is open interest in the impacted contract months.

The cattle industry is continually working towards appropriate animal husbandry practices to ensure herd productivity that will yield high quality beef. The Rule Amendments are intended to expressly align the text of the Exchange’s delivery rules with prevailing commercial animal husbandry practices and the Exchange’s longstanding intended application of its delivery rules.

The Exchange conducted extensive market participant outreach regarding the proposal and feedback was generally supportive of the Rule Amendments. Some market participants advocated for the flexibility to be able to redeliver cattle in the following delivery period rather than prohibiting redelivery of cattle. The Rule Amendments accommodate the request for flexibility by only prohibiting redeliveries within the current delivery period. Also of note, with the exception of a single redelivery in February of 2021, the Exchange is not aware of any redeliveries within the current delivery period within at least the past 20 years.

The Rule Amendments will not impact current procedures regarding retendering as more specifically set forth under Rule 10104. (“Procedures for Tender, Demand, Retender, Reclaim, and Assignment of Certificates of Delivery”).

Amendments to the Chapter 101 (“Live Cattle Futures”) are provided in Appendix A and amendments to the four (4) related Live Cattle Futures delivery affidavits, which require sellers to attest to certain conditions upon submitting a notice of intent to deliver, are included in Appendix B in blackline format.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified the following Core Principle as potentially being impacted:

- **Contracts Not Readily Subject to Manipulation**: The Rule Amendments are intended to more accurately reflect standard animal husbandry practices in the cash cattle market. Redelivery of cattle within the current delivery period is rare so the adoption of the amendments is not expected to adversely affect deliveries.
- **Availability of General Information**: The Exchange shall publish on its website information regarding futures contract specifications, terms and conditions, and any changes to the delivery procedures. In addition, the Exchange will release a Special Executive Report (“SER”) as well as a Clearing House Advisory Notice (“CHAN”) regarding the Rule Amendments. The SER and CHAN will also be posted on the Exchange’s website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(a) and 40.5(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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 via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Amendments to CME Chapter 101 (“Live Cattle”) (blackline format)  
Appendix B: Amendments to Four (4) Related Live Cattle Futures Delivery Affidavits (blackline format)

## **Appendix A**

(additions **underscored**)

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

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

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##### **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. **The seller may not deliver a load that includes any steer or heifer that has been part of an Exchange physical delivery within the current delivery period.**

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, 70% Choice, 30% 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 1,600 pounds shall not be deliverable. Steers weighing more than 1,500 pounds but less than or equal to 1,575 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. Steers weighing more than 1,575 pounds but less than or equal to 1,600 pounds shall be deliverable at an adjustment equal to the 1000-1050 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 70% USDA Choice grade steers or heifers and 30% 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:  $+0.30 \times \text{LECSS} + \text{Prime factor}$  USDA Choice:  $+0.30 \times \text{LECSS}$  USDA Select:  $-0.70 \times \text{LECSS}$  USDA Standard:  $+0.30 \times \text{LECSS} + \text{Standard factor}$  Below USDA Standard:  $+0.30 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$ .

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 delivery of live beef cattle shall be made at approved livestock yards in the following territories:

A. Colorado – par delivery shall be made at any approved livestock yard in the state of Colorado.

B. Iowa / Minnesota / South Dakota – Deliveries of live beef cattle shall be made at a discount of \$1.50/cwt during October contract months and at par in all other contract months at any approved livestock yard in the states of Iowa, Minnesota, or South Dakota.

C. Kansas – par delivery shall be made at any approved livestock yard in the state of Kansas.

D. Nebraska – par delivery shall be made at any approved livestock yard in the state of Nebraska.

E. Texas / Oklahoma / New Mexico – par delivery shall be made at any approved livestock yard in the states of Texas, Oklahoma, or 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 heifers that are suitable for delivery on the date and the place specified in the Certificate of Delivery, and the delivery cannot be completed, the seller shall be penalized \$.030 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the grading process is unnecessarily slowed down because of the seller's failure to present steers or heifers which have been properly sorted prior to arrival at the delivery point livestock yards, but delivery can be completed, the seller shall be penalized \$.015 per pound. This penalty shall be payable to the Exchange and will not be paid to the long.

If, in the opinion of the USDA grader, the buyer or his agent delay, disrupt, question the judgement, or otherwise interfere with the delivery process in any manner, the buyer shall be penalized \$.030 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**

#### 1. Conditions

A buyer assigned a Certificate of Delivery may call for delivery of the cattle to an approved slaughter plant corresponding to the livestock yards designated in the Certificate, or to any other approved slaughter plant within 225 road 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 livestock yards.

Final grading will reflect actual carcass results. If the buyer elects carcass grading, slaughter shall not occur prior to the third Business Day following the buyer's notification of the CME Clearing House. The Clearing House must be notified by 10:00 a.m. on the third Business Day prior to the day of slaughter of the buyer's election of carcass grading, the approved slaughter plant and slaughter day, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f.

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

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

#### 3. Seller's Duties

On the third Business Day prior to the day of slaughter, the Clearing House will notify the seller of the buyer's election of carcass grading, the approved slaughter plant selected by the buyer, the day of slaughter selected by the buyer and representatives of the approved slaughter plant, and whether the buyer consents to a Large Lot Delivery Unit if elected by the seller under Rule 10103.C.5.f. The seller shall be responsible for contacting representatives of the slaughter plant to coordinate arrival time and time of slaughter. The cattle shall be scheduled to arrive between 6:00 a.m. and 6:00 p.m. local time on the day of slaughter. The seller shall be responsible for transportation to the slaughter plant. The seller shall notify the Clearing House of the agreed upon arrival time by 3:00 p.m. on the second Business Day prior to slaughter. **The seller may not deliver a load that includes any steer or heifer that has been part of an Exchange physical delivery within the current delivery period.**

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, 70% Choice, 30% 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 70% USDA Choice grade carcasses and 30% 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:  $+0.30 \times \text{LECSS} + \text{Prime factor}$  USDA Choice:  $+0.30 \times \text{LECSS}$  USDA Select:  $-0.70 \times \text{LECSS}$  USDA Standard:  $+0.30 \times \text{LECSS} + \text{Standard factor}$  Below USDA Standard:  $+0.30 \times \text{LECSS} + \text{Standard factor} + \text{sub-Standard factor}$ .

Carcasses with hardbone or dark cutter characteristics shall be deliverable at per pound adjustments in accordance with USDA grading procedures and equal to the quality grade 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), 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 liveweight 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 livestock yards to which the cattle were tendered, and any other approved slaughter plant that is within 225 road miles of the originating feedlot. A delivery of carcass graded beef cattle shall have originally been tendered to an approved livestock yard in the following territories:

A. Colorado – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock yard in the state of Colorado.

B. Iowa / Minnesota / South Dakota – delivery of carcass graded beef cattle at a discount of \$1.50/cwt during October contract months and at par in all other contract months may have originally been tendered to any approved livestock yard in the states of Iowa, Minnesota, or South Dakota.

C. Kansas – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock yard in the state of Kansas.

D. Nebraska – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock yard in the state of Nebraska.

E. Texas / Oklahoma / New Mexico – par delivery of carcass graded beef cattle may have originally been tendered to any approved livestock yard in the states of Texas, Oklahoma, or New Mexico.

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 livestock yards 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.

[End of Rule.]

**Appendix B**

(additions underscored)

**Live Cattle Estrus-Suppressing Progestin Feed Additive Affidavit**

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

Whereas an affidavit is deemed by 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 (except for heifers that have been spayed in accordance with the CME Open Heifer Protocol) (these “Heifers”) were given a CME-approved protocol for an estrus-suppressing progestin for a minimum of 30 consecutive days before the scheduled delivery date.

Furthermore, I attest these Heifers will have this same estrus-suppressing progestin administered to them within 15 hours before 9:00 AM on such delivery date.

**I attest that no heifers included herein have been part of a previous CME physical delivery within the current delivery period.**

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 (OHP) Affidavit

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

Whereas an affidavit is deemed by 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 (these "Heifers"):

1) are in compliance with the following indicated CME-approved open heifer protocol (OHP) afterhaving been placed in the applicable delivering feedlot (indicate at least one):

- a.  Palpation, ultrasound or blood test;
- b.  Spaying; and/or
- c.  Pharmaceuticals (administered more than 30 days before the day of delivery);

2) have not knowingly been exposed to a bull following the administration of the OHP; **and**

3) **have not been part of a previous CME physical delivery within the current delivery period.**

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 andthat 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 Country of Origin Affidavit

I attest through firsthand knowledge, normal business records or producer affidavits, that these cattle being tendered for delivery on the CME Live Cattle Futures contract were born and raised exclusively in the United States, as previously defined by the USDA in 7 CFR 65 (Mandatory Country of Origin Labeling of Beef, Pork, Lamb, Chicken, Goat Meat, Perishable Agricultural Commodities, Peanuts, Pecans, Ginseng, and Macadamia Nuts).

I attest that the records reflecting specific transactions substantiating this Affidavit 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 delivery.

**I attest that no cattle included herein have been part of a previous CME physical delivery within the current delivery period.**

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 Feeding Affidavit

I attest that, to the best of my knowledge, these cattle being tendered for delivery on the CME Live Cattle Futures contract have not been fed any animal proteins prohibited in ruminant feed by the Food and Drug Administration as described in 21 CFR 589.

**I attest that no cattle included herein have been part of a previous CME physical delivery within the current delivery period.**

I agree that authorized CME officials, as well as authorized officials of CME-approved slaughter facilities, may conduct inspections of feed records and feed facilities at the locations at which these cattle have been fed while under my ownership, direction or control.

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.***