



C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2009 JUN 16 PM 3 21

June 16, 2009

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington DC 20581

**RE: Regulation Section 40.4(a) Submission. Removal of Sioux Falls, South Dakota as a Live Cattle Delivery Point. Amendment to Live Cattle Futures Rule 10103.B. CME Submission No. 09-108.**

Dear Mr. Stawick:

**I. SUBMISSION**

In accordance with Regulation Section 40.4(a), Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby requests review and approval, under the provisions of Regulation Section 40.5, of an amendment to CME Live Cattle Futures Rule 10103.B.

**II. TEXT OF PROPOSED RULE CHANGES**

The text of the proposed rule amendment is given below, with deletions bracketed and overstruck:

**Chapter 101  
Live Cattle Futures**

- 10103.B. Live Graded Deliveries**
- 4. Par Delivery and Substitutions
    - g. Delivery Points and Allowances. A par delivery of live beef cattle shall be made from approved livestock yards in Wray, Colorado; [~~Sioux Falls, South Dakota;~~] 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.

**III. EFFECTIVE DATE AND RULE PROMULGATING AUTHORITY**

The Exchange, pursuant to CME Rule 230.j., approved this proposed amendment on June 15, 2009. The rule amendment will become effective for the August 2009 and subsequent contract months after Commission approval.

#### **IV. OPERATION, PURPOSE AND EFFECT OF THE PROPOSED AMENDMENTS**

In CME Submission No. 08-75 dated April 28, 2008, the Exchange certified the addition of three Live Cattle Futures delivery points – Wray, Colorado; Sioux Falls, South Dakota; and Worthing, South Dakota – for newly listed contracts, beginning with the August 2009 contract month.

On May 27, 2009, the Sioux Falls Stockyards in Sioux Falls, SD announced that it will be suspending all cattle operations by June 30, 2009, as a result of the facility's inability to comply with city wastewater restrictions. This decision was reported in the Sioux Falls (South Dakota) *Argus Leader* and the Bismarck (North Dakota) *Tribune* on May 28; copies of these articles are attached. Exchange staff confirmed the information contained in these articles, and the facility's decision to withdraw as a delivery point, in a June 1 telephone conversation with Paul Scott, manager of the Sioux Falls Stockyards.

Removing Sioux Falls as a delivery point will have no impact on the performance of the Live Cattle contract, or on the ability of entities in the Sioux Falls area to make deliveries. Sioux Falls was scheduled to become eligible for deliveries beginning with the August 2009 delivery period, which begins on August 10, 2009. Therefore, deliveries have not yet been allowed at Sioux Falls.

Furthermore, one of the other new delivery points for August 2009 is at Worthing, SD, is located just 18 miles south of the Sioux Falls Stockyards, adjacent to Interstate 29. The delivery point at Worthing -- doing business as Sioux Falls Regional Livestock -- is a brand-new, state-of-the-art facility with none of the environmental or other issues that led to the suspension of operations at the Sioux Falls Stockyards. Given the close proximity of Worthing to Sioux Falls, market participants will not be adversely affected the removal of Sioux Falls for the August 2009 and subsequent delivery periods.

Expedited approval is requested because First Notice Day for August 2009 deliveries is Monday, August 10. Therefore, it is essential that the Commission act on this Submission in a timely manner. The Exchange will notify market participants of this change and advise them to select alternate CME delivery points for the August 2009 and subsequent delivery periods.

#### **V. OPPOSING VIEWS**

There were no substantive opposing views to the proposed amendment.

#### **VI. APPLICATION OF THE ACT AND REGULATIONS**

There does not appear to be any need for amendment or interpretation of the Act and Regulations in order to approve the proposed amendment.

**VII. CONFIDENTIAL TREATMENT**

Confidential treatment is not requested for this submission.

If you have any questions regarding this submission, please contact Paul Peterson at (312) 930-4587 or via e-mail at [paul.peterson@cmegroup.com](mailto:paul.peterson@cmegroup.com), or me at (312) 648-5422 . Please refer to CME Submission No. 09-108 in all correspondence regarding this matter.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

# ArgusLeader.com

May 28, 2009

## Stockyards to end cattle sales in June

*Peter Harriman*  
*pharrima@argusleader.com*

The Sioux Falls Stockyards is being offered for sale by the financially embattled company that owns it and will end cattle sales by June 30 because it cannot comply with city restrictions on wastewater, according to stockyard manager Paul Scott.

Once the largest stockyard in the nation, the 92-year-old venture is falling victim to, among other things, tougher environmental standards and changing market forces that dictate how cattle are bought and sold.

Its demise is a sad day for cattle producers, said Doug Sombke, president of the South Dakota Farmers Union.

"In the past, the Sioux Falls Stockyard has been one of the leading markets. Any time we lose a market such as this, it is not a good sign," Sombke said.

Bender Commercial Real Estate Services is listing the 35.85-acre site for \$3.5 million and is advertising it as an attractive site for redevelopment. The land at 801 E. Rice St. has I-2 industrial zoning.

According to a Securities and Exchange Commission quarterly report, the New York-based Canal Capital Corp. that has owned the stockyard since 1999 lost \$102,000 in the first three months of this year on its commercial real estate properties in Sioux City, Iowa; South St. Paul, Minn.; St. Joseph, Mo.; Omaha; and Sioux Falls; and on its stockyards in St. Joseph and in Sioux Falls.

The company also is trying to refinance debt, and in January its liabilities exceeded assets by about \$500,000. Minnehaha County delinquent tax rolls show the stockyard is about \$100,000 in arrears on property taxes as well, dating to 2005.

In addition, Canal Capital's stockyards are facing competition from other regional sale barns, such as Sioux Falls Regional Livestock, near Worthing.

Canal Capital is trying to sell real estate and art holdings to gain operating capital.

The company's financial problems are part of the stockyard's decision to end cattle sales by June 30, especially because of issues it has in exceeding limits on wastewater it sends to the city during rainy periods.

"When it rains, we can't comply with their restrictions. They fine you, and we can't pay the fine, and they have no leniency," Scott said of the city.

A berm keeps runoff out of the river and puts the stockyard in compliance with state environmental laws, Scott said.

Former Sioux Falls Planning Director Steve Metli said the wastewater restrictions came about in the early 1980s after the city built a new wastewater treatment plant.

Those restrictions weren't just for the stockyard, Metli said.

"The city started improving their requirements for runoff into the Big Sioux River and into our new wastewater treatment plant," he said. "We increased our standards. When you do that, it affects everybody, and it did have an effect on the stockyards."

Assistant City Attorney Shawn Tornow said the parameters of the stockyard's wastewater discharge

permit were set after discussions among the city, the stockyard and the public in 2005-2006.

"Now after three or four years of trying to work with them on it, they are just saying, 'We economically are deciding not to make the changes to come into compliance.' They made a calculated business decision to shut down that part of their business," Tornow said.

Even when it gets out of the cattle business, the stockyard will continue to sell hogs, sheep and goats, Scott said.

Its cattle sales have declined sharply, he said. In 2004, 210,620 head went through the barn. Last year, that fell to 90,131.

Part of that decline came from mandatory testing of Minnesota cattle coming into South Dakota since Minnesota lost its tuberculosis-free status in 2005.

Part of the decline also reflects sky-high corn prices a couple of years ago and a corresponding reduction of cattle-feeding in the region. And part is an increase in direct cattle buying, where buyers deal directly with producers rather than going through a sale barn.

The latter is a mixed blessing, Sombke said.

"A number of producers such as myself have been approached by buyers that normally would buy in a sale barn," he said. "They offer to give you premium dollar, and as a producer, you really consider it. You're trying to get the most for your product. But the bad thing is, the next thing you know, you're going to be a servant for somebody else."

That's why the Farmers Union is watching warily the possible loss of market competition if the stockyard is sold and redeveloped, Sombke said.

The stockyard either provides an opportunity for workers at commission firms to do business or directly employs about 60 people, Scott said. When it ends cattle sales, "it will affect a lot of their jobs."

Several potential buyers have inquired about the property in the six weeks it has been listed, according to Gerald Teunissen of Bender Commercial Real Estate. At least one is interested in continuing it as a sale barn, he said.

Beyond that, "our thought is it could attract one user who might need the whole thing, or if the site is leveled and redeveloped, it could use two, three or four medium-sized land users," Teunissen said.

Scott said the impending end of cattle sales at the stockyard, founded in 1917, is a sad day for the community.

"We've been in business 92 years," he said, "and we always considered ourselves good citizens."

Reach reporter Peter Harriman at 575-3615.

---

# The Bismarck Tribune

05-28-2009: news-state

## Sioux Falls Stockyards to end cattle auctions

SIOUX FALLS, S.D. (AP) - The Sioux Falls Stockyards, which is being offered for sale, plans to end cattle auctions next month.

The nearly 36 acre site, which has industrial zoning, is listed at \$3.5 million. A real estate service says it's an attractive site for redevelopment.

Manager Paul Scott says it was a tough decision but that a limit on how much rain water can run off the grounds is part of the mix.

"It has issues to do with the rain water that comes onto the premises. The city no longer wants to take the rain water. ... A half-inch of rain puts over the limit."

Scott said the two sides have been negotiating but are not close.

"Every plan we have comes back not good enough," he said. "It comes down to basically you could put a roof over it (corrals) is the only way to limit the amount of water kept out. Dollarwise it's not feasible."

Some people will likely lose their jobs, the manager said.

The stockyards either provides an opportunity for workers at commission firms to do business or directly employs about 60 people, Scott told the Argus Leader. "It will affect a lot of their jobs" when cattle sales end, he said.

Hog and sheep auctions will continue, but the last fat cattle sale will be June 24 and the final feeder cattle auction will be June 25, said Scott.

The stockyards had been selling as many as 100,000 cattle a year, but most livestock are bought directly off the farm, Scott said.

The Argus Leader reported online Wednesday that a Securities and Exchange Commission quarterly report indicates New York-based Canal Capital Corp., which owns the stockyard, lost \$102,000 in the first three months of this year on its commercial real estate properties in Sioux City, South St. Paul, St. Joseph, Mo., Omaha, Neb., and Sioux Falls, and on its stockyards in St. Joseph and Sioux Falls.

The company also is trying to refinance debt. In January, its liabilities exceed assets by about \$500,000. Delinquent tax rolls in Minnehaha County show the stockyard is about \$100,000 in arrears on property tax, going back to 2005.

"It's a sad day for Sioux Falls," Scott says of the end of cattle sales. "We've been in business 92 years, and we always considered ourselves good citizens."