



Special Executive Report

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BOARD APPROVES CHANGES IN CME FEEDER CATTLE INDEX™

The Board of Directors has approved a recommendation that 2 changes be implemented in the composition of the Feeder Cattle Index:

- Exclude transactions for cattle identified in USDA reports as being “calves”
- Exclude transactions for all weight ranges of Medium Frame #1 cattle

These changes will be adopted for newly listed contract months, beginning with the January 2005 contract to be listed on Wednesday, February 11, 2004.

Rule amendments for these changes are noted below, with additions underlined and deletions bracketed and overstruck:

FEEDER CATTLE FUTURES

10201. COMMODITY SPECIFICATIONS

Each futures contract shall be valued at 50,000 pounds times the CME Feeder Cattle Index™ per pound for 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers.

10203. SETTLEMENT PROCEDURES

A. Final Settlement

There shall be no delivery of feeder cattle in settlement of this contract. All contracts open as of the termination of trading shall be cash settled based upon the CME Feeder Cattle Index™ for 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers for the seven days ending on the Thursday on which trading terminates.

1. The Sample

The CME Feeder Cattle Index™ is based upon a sample of transactions from ~~[six] these~~ weight/frame score categories: ~~[700 to 749 pound Medium Frame #1 feeder steers, 750 to 799 pound Medium Frame #1 feeder steers, 800 to 849 pound Medium Frame #1 feeder steers,]~~ 700 to 749 pound Medium and Large Frame #1 feeder steers, and 750 to 799 pound Medium and Large Frame #1 feeder steers, and 800 to 849 Medium and Large Frame #1 feeder steers.

The sample consists of all feeder cattle auction, direct trade, video sale, and Internet sale transactions within the 12-state region of Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming for which the number of head, weighted average price and weighted average weight are reported by the Federal-State Market News Service on the USDA Wire.

All direct trade reports shall be considered to be Friday transactions except for the Oklahoma Range Sales Report, which shall be considered to be Wednesday transactions.

Multiple day sales, for which separate weighted average reports are not issued for each day or it is not evident from the reports issued what cattle sold on which day, shall be entered into the index as if all transactions occurred the final day of the sale.

Saturday and Sunday sales shall be entered into the index as if all transactions occurred on Monday.

Reports that are designated as "preliminary" shall not be entered into the index, and no transactions from that location shall be used until a final report is issued.

Cattle identified in the report as being calves, fancy, thin, fleshy, gaunt or full; having predominantly dairy, exotic or Brahma breeding; are excluded from the sample. Direct trade, video sale, and Internet sale transactions must be quoted on an FOB basis, 3% standing shrink or equivalent, with pickup within 14 days.

2. The Calculation

The procedure for calculating the CME Feeder Cattle Index™ is as follows:

a. For each of the ~~six~~ weight/frame score categories in each auction, direct trade or video sale report:

i. the number of head is multiplied by the corresponding weighted average weight to obtain the total pound of feeder steers sold in that weight/frame score category for that report; and

ii. the number of head is multiplied by the corresponding weighted average weight, and the resulting product is then multiplied by the corresponding weighted average price, to obtain the total dollars of feeder steers sold in that weight/frame score category for that report.

b. For each auction, direct trade or video sale report:

i. the total pounds of feeder steers sold in the ~~six~~ weight/frame score categories (i.e., the results from 1.a., above) are aggregated to obtain the total pounds of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold for that report; and

ii. the total dollars of feeder steers sold in the six weight/frame score categories (i.e., the results from 1.b., above) are aggregated to obtain the total dollars of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold for that report.

c. For all auction, direct trade and video sale reports covering transactions that occurred within the same seven calendar day period:

i. the total pounds of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers (i.e., the results from 2.a., above) are aggregated to obtain the total pounds of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold within the 12-state region during that seven-day period; and

ii. the total dollars of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers (i.e., the results from 2.b., above) are aggregated to obtain the total dollars of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold within the 12-state region during that seven-day period.

d. The total dollars of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold within the 12-state region during that seven-day period (i.e., the result from 3.b., above) is divided by the total pounds of 700 to 849 pound ~~[Medium Frame #1 and]~~ Medium and Large Frame #1 feeder steers sold within the 12-state region during that same seven-day period (i.e., the result from 3.a., above) to obtain the CME Feeder Cattle Index™.

3. Other

The CME Feeder Cattle Index™ shall be calculated and reported for each seven-day period ending on a weekday, where weekdays shall be defined as Monday, Tuesday, Wednesday, Thursday, and Friday.

During any seven day calculation period containing Thanksgiving Day, Christmas Eve, Christmas Day, or New Year's Day, the Exchange shall report the CME Feeder Cattle Index™ with the special designation "holiday" to alert market participants that the index may be based on a limited number of cash market transactions during these holiday periods.

If you have any questions about this matter, please contact Jack Cook, Economist, Research and Product Development, at (312) 930-3295, or Paul Peterson, Director, Research and Product Development, at (312) 930-4587.