



Special Executive Report

DATE: October 18, 2024

SER#: 9447

SUBJECT: Amendments to Chapter 12 (CME Spot Call Trading – Electronic) in Connection with Spot Call Nonfat Dry Milk, Spot Call Butter, Spot Call Cheese, and Spot Call Dry Whey

Effective Sunday, December 15, 2024 for trade date Monday, December 16, 2024, Chicago Mercantile Exchange Inc. ("CME" or "Exchange") will amend Chapter 12 ("CME Spot Call Trading – Electronic") for Spot Call Nonfat Dry Milk (NM), Spot Call Butter (AA), Spot Call Block Cheddar (KB), Spot Call Barrel Cheddar (RB), and Spot Call Dry Whey (WH) (the "Contracts") to further align with commercial trade practices.

Specifically, CME will amend the Contracts as follows:

Across products:

- o Addition of rBST-free certification requirements
- o Addition of plant certification requirements
- o Clarification of documentation access requirements

Nonfat Dry Milk:

- o Amend the language for Yeast and Mold testing from unspecified to less than 100 cfu/g
- o Amend the language for Salmonella testing from unspecified to negative for a 375 gram sample
- o Addition of Staphylococcus aureus or Staphylococcus (coagulase positive) testing
- o Addition of Halal certification

Butter:

- o Amend the language for Yeast and Mold count from less than twenty (20) per gram to be less than ten (10) per gram
- o Addition of Halal certification

Cheese:

- o Addition of Certificate of Analysis/Pathogen testing requirements for 40# block style cheese
- o Removal of language referencing steel barrels

(collectively, the "Rule Amendments").

Appendix A below provides the Rule Amendments in blackline format.

The Commodity Futures Trading Commission ("CFTC") will be notified of the Rule Amendments during the week of December 23, 2024, via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

Please refer any questions on this subject to:

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Appendix A

CME Rulebook

(additions underscored; deletions ~~struck through~~)

Chapter 12

CME Spot Market Trading – Electronic

1204. SPOT CALL NONFAT DRY MILK

1204.A. Commodity Specifications

The nonfat dry milk shall be free flowing and manufactured using the spray process with a low heat treatment classification. It shall not show less than 6.0 milligrams undenatured whey protein nitrogen per gram. On the day of sale, the nonfat dry milk shall be less than 180 days old. All nonfat dry milk shall be certified Kosher by a Rabbinical Service that provides Kosher classification. The methods of analysis shall be those specified by the USDA. A certificate confirming the product is Kosher shall be made available upon the buyer's request. All nonfat dry milk shall be certified Halal. A certificate confirming the product is Halal shall be made available upon the buyer's request. All nonfat dry milk shall be rBST-free. Documentation confirming the product is rBST-free shall be made available upon the buyer's request.

All nonfat dry milk sold on CME Spot Market shall have been produced in facilities that at the time of production have been surveyed and approved by the Grading Service of the USDA and are on the eligible list of that Service or on the U.S. Department of Health and Human Services, Public Health Service, Food and Drug Administration IMS List, Sanitation Compliance and Enforcement Ratings of Interstate Milk Shippers. All nonfat dry milk sold on CME Spot Market shall have been produced in facilities that at the time of production meet a minimum certification of Global Food Safety Initiative version 2020 (GFSI v.2020) or later OR Safe Quality Food (SQF) Food Safety Audit-Dairy Food Processing certification or equivalent. Documentation shall be made available upon the buyer's request.

Definitions

1. The "spot call" is the procedure for trading and delivering nonfat dry milk as more fully set forth in this Rule.
2. The "day of sale" is the day on which trading on the spot call is conducted.
3. The 'day of tender' is the first business day after the day of sale.
4. The "day of invoice" is the second business day after the day of sale.
5. The "day of delivery" is the sixth business day after the day of sale.
6. A "carlot" consists of between 41,000 and 45,000 pounds, net weight, of nonfat dry milk which must be manufactured on or before the day of sale. No carlot shall consist of more than 3 sublots and each carlot shall be manufactured by a single plant.
7. "Certificate of Analysis" means a legible document, endorsed by a lab technician and/or quality manager, certifying the following with respect to the Grade A Nonfat Dry Milk being offered for sale: (a) the warehouse or plant location; (b) the storage lot, and if applicable, release number; (c) the number of bags in each subplot and total number of bags in the warehouse lot and the marked weight; (d) the date in storage and storage type; (e) that the butterfat content of the nonfat is not more than 1.25%; (f) a moisture content of not more than 4.00%; (g) its titratable acidity shall be not more than 0.15%; (h) its solubility index shall be not more than 1.2 milliliters; (i) that it shall have a bacterial estimate of not more than 10,000 per gram; (j) coliform of less than 10 per gram; (k) its scorched particle content shall be not more than 15.0 grams; (l) yeast and mold shall be less than 100 cfu/g; (m) salmonella shall be negative for a 375 gram sample; (n) whey protein nitrogen; (o) ~~and~~ heat process; and (p) either Staphylococcus aureus or Staphylococcus (coagulase positive) shall be less than 10 cfu/g or negative.

[Remainder of Rule unchanged.]

1205. SPOT CALL BUTTER

1205.A. Commodity Specifications

Definitions

1. The "spot call" is the procedure for trading and delivering cash butter as more fully set forth in this chapter.
2. "Butter means salted butter that conforms to the definition of butter contained in 21 U.S.C. § 321a, is made entirely from sweet cream, and, if graded by USDA, would be certified Grade AA Butter. All butter shall be certified Kosher by a Rabbinical Service that provides Kosher classification. A certificate confirming the product is Kosher shall be made available upon the buyer's request. All butter shall be certified Halal. A certificate confirming the product is Halal shall be made available upon the buyer's request. All butter shall be rBST-free. Documentation confirming the product is rBST-free shall be made available upon the buyer's request.
3. A "carlot" consists of between 40,000 and 43,000 pounds, net weight, of salted butter in not more than four churn lots, produced by a single plant. The butter must be uniform in color and salt. The butter must be manufactured on or before the date of sale. All butter sold on CME Spot Market shall have been produced in facilities that at the time of production have been surveyed and approved by the Grading Service of the USDA and are on the eligible list of that Service or on the U.S. Department of Health and Human Services, Public Health Service, Food and Drug Administration IMS List, Sanitation Compliance and Enforcement Ratings of Interstate Milk Shippers. All butter sold on CME Spot Market shall have been produced in facilities that at the time of production meet a minimum certification of Global Food Safety Initiative version 2020 (GFSI v.2020) or later OR Safe Quality Food (SQF) Food Safety Audit-Dairy Food Processing certification or equivalent. Documentation shall be made available upon the buyer's request.
4. "Certificate of Analysis" means a legible document, endorsed by a lab technician and/or quality manager, certifying the following with respect to the butter being offered for sale: (a) the warehouse or plant location; (b) the storage lot, and if applicable, release number; (c) the number of boxes in each churn, total number of boxes in the warehouse lot and the marked weight; (d) the date in storage and storage type; (e) that the butterfat content of the butter is equal to or greater than eighty (80) percent by weight of milkfat; (f) that the moisture content is less than or equal to eighteen (18) percent by weight; (g) that the salt content is not less than 1.2 percent nor more than two (2) percent by weight; (h) that the standard plate count is less than five thousand (5,000) per gram; (i) that coliforms are less than 10 per gram; and that the yeast and mold count is less than ~~twenty (20)~~ ten (10) per gram.

[Remainder of Rule unchanged.]

1206. SPOT CALL CHEESE

1206.A. Commodity Specifications

Definitions

1. The "spot call" is the procedure for trading and delivering cash cheese as more fully set forth in this Rule.
2. A "carload" consists of between 40,000 and 44,000 pounds, gross weight.
3. The "day of sale" is the day on which trading on the spot call is conducted.
4. "Certificate of Analysis" means a legible document, endorsed by a lab technician and/or quality

Manager.

Marking

All cheese sold on CME Spot Market shall show upon each package the shipper's lot number, net weight, vat number, and date and shall not contain upon the cheese and package any brand or printed information except such information as is required by this Rule and by law.

rBST-Free

All cheese shall be rBST-Free. Documentation confirming the product is rBST-Free shall be made available upon the buyer's request.

Approved Factories

All cheese sold on CME Spot Market shall have been produced in factories which at the time of production have been surveyed and approved by the Grading Service of the USDA and are on the eligible list of that Service. All cheese sold on CME Spot Market shall have been produced in facilities that at the time of production meet a minimum certification of Global Food Safety Initiative version 2020 (GFSI v.2020) or later OR Safe Quality Food (SQF) Food Safety Audit-Dairy Food Processing certification or equivalent. Documentation shall be made

available upon the buyer's request.

Certificate of Analysis/Pathogen Testing for Block Cheese

The certificate of analysis for cheese in 40# block style shall include pathogen testing, specifically:

| <u>ORGANISM</u> | <u>LEVEL/RESULT</u> |
|--------------------------------|-----------------------------|
| <u>Coliform</u> | <u><10 cfu/g</u> |
| <u>Yeast & Mold</u> | <u><100 cfu/g</u> |
| <u>Staph. aureus</u> | <u><10 cfu/g</u> |
| <u>E. coli</u> | <u><10 cfu/g</u> |
| <u>Salmonella</u> | <u>Negative</u> |
| <u>Listeria</u> | <u>Negative</u> |

AOAC or FDA BAM methodology shall be utilized for pathogen testing.

[End of Rule.]

1206.C. Settlement Procedures

Seller's Duties

1. The seller shall, by 3:00 p.m. (Chicago time) on the day of sale submit to the Clearing House the identity of the seller.
2. The seller shall provide details about the cheese, to the Clearing House by 12:00 noon (Chicago time) on the business day after the date of sale.
3. The seller shall, by 3:00 p.m. (Chicago time) on the business day after the day of sale, notify the Clearing House if the cheese is to be graded.
4. Upon receipt of buyer's instructions, seller shall immediately make shipment in accordance therewith. If the seller is unable to obtain shipping facilities, seller shall promptly notify buyer of its inability to obtain shipping facilities and ship at the earliest opportunity. Cheese shall be loaded on truck and shipped as directed by the buyer. All other transportation charges shall be borne by the buyer.
5. Proof of delivery (i.e. bill of lading or warehouse form showing ownership transfer) shall accompany the invoice and seller shall submit copies of the documents to the Clearing House no later than 5 business days after the buyer receives the product.
6. Sellers of 40# block style cheddar cheese should provide all required pathogen testing results to the Clearing House within 24 hours of the transaction by 12:00 noon (Chicago time) on the business day after the day of sale.

[Remainder of Rule unchanged.]

1206.D. Deviations And Allowances

Adjustment for Moisture Content

Adjustments in price for moisture content shall be made for carloads of cheese in barrel style in accordance with this Rule. Cheese in the 40# block style shall not be subject to price adjustment for moisture content. No cheese exceeding 37.7% moisture content shall be invoiced on the moisture basis.

Where applicable, the price adjustment for moisture content shall be invoiced according to the following Rules:

The price specified on the board, which shall be known as the stated price, shall be adjusted for moisture content in accordance with the moisture price adjustment tables as provided by CME Spot Market.

In adjusting the stated price for moisture content the measured moisture shall be rounded to the nearest one-half percent. For example, if the measured moisture is 36.2 percent, it shall be considered to be 36 percent moisture, while if the measured moisture is 36.3 percent, it shall be rounded to 36.5 percent moisture.

The seller of cheese on the moisture basis shall furnish the buyer and to CME Spot Market, a manifest showing

for each vat the seller's lot number, date and vat number, number of boxes, weight, moisture test, price per pound and extension in dollars and cents.

Weight

The delivered carload may vary between 40,000 and 44,000 pounds in gross weight. Payment shall be made on the basis of the exact net weight delivered.; ~~with cheese delivered in steel barrels receiving a 3-cent per pound discount.~~

[Remainder of Rule unchanged.]

1206.E. Packaging

All containers used in the packaging of cheese sold on CME Spot Market shall meet the requirements of all applicable Federal and State laws and the applicable requirements of the Consolidated Freight Classification, sometimes known as the Uniform Freight Classification, and of the National Motor Freight Classification.

Cheese shall be packed according to the following specifications:

1. 40# Block

Cheese in 40# block style shall be wrapped in a sealed film resulting in an airtight package and shall be packed in corrugated or solid fiberboard containers with a reinforcing inner liner or sleeve.

~~2. Steel Barrels~~

~~The barrel shall be an airtight 16-gauge steel, straight side, universal style drum with full open removable head and bolt locking ring closure. It shall be 55-gallon capacity with inside dimensions of 22 1/2" diameter by 33 1/2" depth.~~

~~The closing ring shall be 12-gauge steel, type 17-H, either dipped or sprayed with aluminum enamel, with forged lugs—one flanged and the other drilled and threaded to accommodate a 5/8" National Coarse, zinc or cadmium plated bolt.~~

~~The barrel cover or head shall have 2" I.P.S. Reike zinc-plated fitting with rubber plug gasket (No. GK-43-W supplied by Reike Metal Products Co., Auburn, Indiana), or equivalent.~~

~~The barrel cover gasket shall be white, odorless, tasteless, non-toxic, fat resistant rubber. Gasket dimensions shall be 3/8" outside diameter, 1/8" inside diameter, approximately 70" long, vulcanized endless, 75 to 80 durometer on "A" scale. It shall be free of extrusion marks or ridges.~~

~~Barrels shall be lined with not less than .0015" thick polyethylene bag liner not less than 36" wide by 62" long.~~

3.2. Barrels Other than Steel

Barrel cheese ~~in containers other than steel~~ shall meet the specifications of USDA as set forth in "Announcement DAIRY-7, Purchase of Bulk Dairy Products", as amended from time to time or as such specifications are modified as follows:

[Remainder of Rule unchanged.]

1206.H. Associated Costs

Container and Pallet Charges

~~Seller shall invoice and buyer shall deposit with seller the sum of \$34.00 per steel barrel plus the amount of any sales or other tax which would be imposed in the event of a forfeiture of said deposit. If he notifies seller at or prior to delivery, the buyer may, within 60 calendar days of receipt thereof, return to seller on a freight prepaid basis, identical barrels or barrels of like specification and in approximately the same condition. All returned barrels must have been cleaned, and washed and waxed. Seller shall, upon receipt of such barrels, refund to buyer the amount deposited with seller plus any excess freight charge. The excess freight charge shall be the amount by which the actual return freight on empty barrels exceeds the freight cost from buyer's shipping point to Green Bay, Wisconsin.~~

~~Failure of buyer to return containers within the time and in the condition called for in this Rule shall be reported to CME Spot Market and settled by arbitration by a Member Panel as set forth in Rule 1202.A, which may assess damages in favor of seller for double the value of the containers.~~

Seller shall invoice and buyer shall pay to the seller the sum of \$5 per barrel for cheese. ~~in containers other than steel.~~

Cheese in block style must be loaded on pallets for shipping. Seller must note whether barrel style cheese is floor or pallet loaded. Buyer must arrange for full exchange of pallets or make payment at \$7 per pallet.

[Remainder of Rule unchanged.]

1207. SPOT CALL DRY WHEY

1207.A. Commodity Specifications

The dry whey is the product resulting from drying fresh whey which has been pasteurized and to which nothing has been added as a preservative. It shall conform to the applicable provisions of 21 CFR 184.1979. On the day of sale, the dry whey shall be less than 120 days old. All dry whey shall be certified Kosher by a Rabbinical Service that provides Kosher classification. The methods of analysis shall be those specified by the USDA. A certificate confirming the product is Kosher shall be made available upon the buyer's request. All dry whey shall be rBST-free. Documentation confirming the product is rBST-free shall be made available upon the buyer's request.

All dry whey sold on the CME Spot Market shall have been produced in facilities that at the time of production have been surveyed and approved by one or more of the following: The Grading Service of the USDA and are on the eligible list of that Service or on the U.S. Department of Health and Human Services, Public Health Service, Food and Drug Administration IMS List, Sanitation Compliance and Enforcement Ratings of Interstate Milk Shippers, or on the appropriate state agency inspection list. All dry whey sold on CME Spot Market shall have been produced in facilities that at the time of production meet a minimum certification of Global Food Safety Initiative version 2020 (GFSI v.2020) or later OR Safe Quality Food (SQF) Food Safety Audit-Dairy Food Processing certification or equivalent. Documentation shall be made available upon the buyer's request.

[Remainder of Rule unchanged.]