

Chapter 53S Cheese-Spot Call

53S00. SCOPE OF CHAPTER

This chapter is limited in application to cash trading of cheddar cheese. Any aspects of the procedures for trading, inspection, delivery, dispute resolution and settlement that are not specifically covered herein shall be governed by the rules of the Exchange.

53S01. COMMODITY SPECIFICATIONS

53S01.A. Definitions

1. The "spot call" is the procedure for trading and delivering cash cheese as more fully set forth in this chapter.
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.

53S01.B. Varieties ¹

The following "Varieties" of cheese, as defined in the standards of identity established by the Food & Drug Administration in Code of Federal Regulations, Title 21, Part 133 (21 CFR 133), as amended from time to time, may be traded on the spot call:

Cheddar cheese
Cheddar cheese for manufacturing
Granular cheese
Granular cheese for manufacturing

53S01.C. Styles

Trading in the several varieties shall be limited to the following "styles":

Variety	Style
Cheddar cheese (Manufactured from pasteurized milk only.)	40# blocks
Cheddar cheese, cheddar cheese for manufacturing, granular cheese, granular cheese for manufacturing	Barrels

53S01.D. Grades

Cheese in 40# block style shall meet the requirements of Wisconsin State Brand, USDA Grade A or better.

Cheese in barrel style shall meet the requirements of Wisconsin State Brand, USDA Extra Grade or better.

53S01.E. Age ²

Unless a bid or offer specifies otherwise, on date of sale cheese shall be not less than four days or more than one month (30 calendar days) of age.

53S01.F. Moisture Content

Moisture content for cheese in 40# block style shall not be less than 36.5%.

53S01.G. Color

Cheese in barrels shall be white. Cheese in 40# block style shall be colored and shall fall within the color range of 6-8 on the NCI color chart.

53S01.H. Marking

All cheese sold on the Exchange 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.

¹ Revised November 1997.

² Revised December 2002.

53S01.I. Approved Factories

All cheese sold on the Exchange 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.

53S02. SPOT CALL**53S02.A. Trading Schedule¹**

Contracts shall be scheduled for trading and delivery during such hours and days as determined by the Board.

53S02.B. Price Fluctuations²

All bids and offers shall be at a stated price per pound. Fractions of a cent shall be stated in multiples of a quarter of a cent. The minimum price fluctuation shall be \$.0025 per pound.

The first posted bid (offer) of each trading session shall not be more than \$.01 higher (lower) than the last market price noted for the previous session. Subsequent bids (offers) that would establish or change the market price for the current session, or any responses to posted offers (bids) higher (lower) than the last market price, shall be made in price increments not to exceed \$.01 per pound from the last market price.

53S02.C. Posting Bids and Offerings³

A spot load can only be sold in the spot market when, at the time of offering, the seller has documented possession/ownership of a deliverable load.

53S02.D. Quantities Bid and Offered

An offer to sell or bid to buy more than one carload may be accepted in part or in full.

53S02.E. Restriction on Bids and Offers

No principal shall enter a bid [offer] for cheese of the same variety, style, grade and age at the same price that is currently being offered [bid] by that principal.

53S02.F. Contract Modifications

All deliveries must conform to government regulations in force at time of delivery. If any federal governmental agency issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules.

53S03. SETTLEMENT PROCEDURES⁴**53S03.A. Seller's Duties⁵**

1. The seller shall, by 3:00 p.m. (Chicago time) on the day of sale, deliver to the CME Market Regulation Department, a CME form detailing the identity of the seller.⁶
2. The seller shall provide details about the cheese, on a form prescribed by the Clearing House, to the buyer by 12:00 noon 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. The seller may demand payment in full by wire transfer before making shipment. Such demand must be made by the seller upon the date of sale and evidence of the receipt of such demand by the buyer must be filed with the Clearing House in the form of either an electronic acknowledgment or a copy of a wire sent to the seller on the date of the sale.
5. 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

¹ Revised August 1998.

² Revised May 1999; January 2000.

³ Revised August 1998; December 2002, September 2007.

⁴ Revised July 1997.

⁵ Revised December 2002.

⁶ Adopted September 1998.

loaded on truck and shipped as directed by the buyer. All other transportation charges shall be borne by the buyer.

6. 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.

53S03.B. Buyer's Duties¹

1. The buyer shall, by 3:00 p.m. (Chicago time) on the day of sale, deliver to the CME Market Regulation Department, a CME form detailing the identity of the buyer.²
2. The buyer 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.
3. The buyer shall be responsible for arranging and providing transportation for the cheese. The buyer shall deliver instructions for shipping and routing to final destination via the Clearing Houses online deliveries system by 12:00 noon (Chicago time) on the third business day after the day of sale. If the buyer fails to deliver such instructions within the required time or if the buyer fails to pick up the cheese at the specified date and time, the seller shall either store the cheese and charge the buyer the generally accepted commercial monthly rate or ship the cheese by truck or rail to the buyer at the buyer's main warehouse. The buyer must pick up the cheese no later than 6 business days after the date of sale.
4. The buyer shall pay for the cheese within 3 business days after the date of the invoice covering the cheese.

53S03.C. Exchange's Responsibilities

1. The Exchange shall maintain records of the purchases and sales on the spot call and provide a forum for the resolution of disputes as they may fall within the rules of the Exchange.
2. CME Clearing House Shall, by 3:00 p.m. (Chicago time) on the third business day after the day of pick-up prepare an invoice that specifies the date and price of sale, adjusted for moisture content when applicable. The freight differential, if any, shall be credited to the buyer on the invoice.

53S04. DEVIATIONS AND ALLOWANCES

53S04.A. [Reserved]

53S04.B. Adjustment for Moisture Content³

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 the Exchange.

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 the Exchange, 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.

53S04.C. Weight

The delivered carload may vary between 40,000 and 44,000 pounds in gross weight. Payment

¹ Revised December 2002.

² Adopted September 1998.

³ Revised December 2002.

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.

53S04.D. Delivery Points¹

Cheese may be delivered at any point within the continental United States. Cheese delivered from points more than 300 miles from Green Bay, Wisconsin, shall be subject to a freight differential. The freight differential shall be deducted from the gross weight and shall be the amount by which the cost of shipment from the shipping point to Green Bay, Wisconsin, exceeds the cost of shipment for 300 miles. To comply with this rule, distance from the shipping point to Green Bay shall be arrived at by reference to the current issue of the Household Goods Carriers' Bureau Mileage Guide. The cost of shipment shall be determined by reference to a table provided from time to time by the Exchange based on reasonable competitive rates per mile for minimum load of 44,000 pounds gross weight. In no event shall the deduction for the freight differentials exceed the actual cost of shipment as noticed by the buyer's shipping and routing instructions. The freight differential to be deducted is the lower of the Green Bay delivery point or the actual mileage exclusive of the first 300 miles to the noticed delivery point. See the notes at the end of this chapter for tables used in determining freight differentials and for examples of calculations.

53S05. PACKAGING²

All containers used in the packaging of cheese sold on the Exchange 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:

53S05.A. 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.

53S05.B. Steel Barrels³

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 ½" diameter by 33 ½" 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. G-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.

53S05.C. Barrels Other than Steel⁴

Barrel cheese in containers other than steel shall meet the specifications of USDA as set forth in "Announcement DAIRY-6, Purchase of Bulk Dairy Products", as amended from time to time or as such specifications are modified as follows:

1. Fiber barrels

- (a.) Sidewalls shall consist of Kraft liner board or equivalent which has been convolutely or spirally wound using sodium silicate adhesive or equivalent, shall be constructed with a minimum of six plies and have a thickness of not less than .07 inches. Bursting strength

¹ Revised July 1997.

² Revised June 2001.

³ Revised December 2002.

⁴ Revised December 2002.

of the sidewall shall be a minimum of 600 lbs. PSI.

- (b.) Inside dimensions of the sidewalls shall measure between 22½" and 23½" in diameter with a height of between 33" and 35".
- (c.) Sidewalls may be manufactured with one open end to use one cover or two open ends which require two covers.
- (d.) Top and bottom covers shall be manufactured of Kraft liner board with a minimum of six plies glued together with the same adhesive as sidewalls. Bursting strength of the covers shall be a minimum of 800 lbs. PSI.
- (e.) Covers shall be coated, waxed or laminated for protection from the effects of free whey.
- (f.) Top and bottom covers shall be secured to the sidewall body with ½" to ¾" wide flat steel strapping with a minimum breaking strength of 300 lbs. Strapping shall be applied straight and sufficiently taut to embed into the edges of the barrel, but not to the extent of cutting, tearing or damaging the barrel.
- (g.) Fiber barrels which are pallet loaded shall be strapped together, 4 barrels per pallet. The steel banding shall have a minimum breaking strength of 1,400 lbs. and be applied straight around the 4 barrels 8" to 10" from the top.

2. Corrugated Fiberboard Barrels

Body construction may be comprised of one or two parts. The shape may be round, hexagonal or octagonal. The covers may be an integral folding part of the barrel body or may be a separate part of the barrel.

(a.) Two Body Parts

Barrels which are comprised of two body parts (body and inner sleeve or tube) shall meet the following minimum specifications:

- i. The outer body may consist of a single wall corrugated fiberboard 180 lb. natural Kraft B flute with a minimum bursting strength of 350 lbs. PSI. The body joint shall be overlapped a minimum of 3 inches and glued.
- ii. The inner corrugated fiberboard tube shall be made of double wall 106 lb. natural Kraft, A-B or B-C flute with a minimum bursting strength of 350 PSI. This liner shall be the same height as the body of the barrel.
- iii. Top and bottom cover material shall meet the minimum standards for body construction. The covers shall be coated, waxed or laminated to protect them from the effects of free whey. Covers shall be designed with an interlocking feature of cover to barrel body. Both covers shall be secured to the barrel body with steel strapping.
- iv. When the sidewall body does not contain a minimum of three strands of sesame tape or equivalent reinforcing as an integral part of the body, then those barrels shall have two straps of steel banding around the body. This strapping shall be sufficiently taut, applied straight and equally spaced for added body strength.
- v. Steel strapping shall be ½" or larger with a minimum breaking strength of 300 lbs.
- vi. Maximum overhang on a standard 40 X 48 pallet shall be four inches. Pallet loaded barrels shall be banded together as required by subparagraph 3A of this Rule.
- vii. Barrel liners shall be USDA approved as outlined in "Announcement DAIRY-6, Purchase of Bulk Dairy Products as amended from time to time."

(b.) Single Body

Barrels which are comprised of one body part shall meet the following minimum specifications:

- i. Double wall corrugated material which has B, AB or BC flutes. Minimum bursting strength shall be 500 PSI.
- ii. Barrels with folding covers but without an interlocking feature shall be taped closed with a wide waterproof tape of adequate strength to hold the closure securely.
- iii. Covers which are a separate part of the barrel shall comply with subparagraph 3B(1)c.

- iv. Barrels manufactured without sesame tape or equivalent body reinforcement shall be body banded as in B(1) above.
 - v. Maximum overhang on a standard 40 X 48 pallet shall be 3 inches. Pallet loaded barrels shall be banded together as required by subparagraph 3A of this Rule.
 - vi. Barrel liners shall be USDA approved as outlined in "Announcement DAIRY-6, Purchase of Bulk Dairy Products as amended from time to time."
3. Performance Criteria for Fiber and Corrugated Fiberboard Barrels:
- (a.) Barrels shall be clean and dry. They may contain stains from free whey providing the area has dried out and has not damaged the barrel.
 - (b.) Barrels may not be split, torn or contain any holes except for the sampling hole.
 - (c.) Barrels shall maintain their original shape, however, hexagonal and octagonal barrels may show slight rounding of the body.
 - (d.) Barrels must withstand a minimum stacking height of 3 pallet loads without distorting or damaging the bottom barrels.
 - (e.) The maximum head space on all types of barrels shall be 1 ½ inches.
 - (f.) Whenever in these rules a bursting strength is specified, it shall refer to the Mullen test.

Any claim that cheese containers do not meet the above stated performance criteria must be made within thirty calendar days of delivery to buyer and any dispute shall be reported to the Exchange and settled by an Arbitration Committee which Committee may, in addition to other sanctions permitted by these Rules, require seller to replace barrels not meeting said performance criteria and/or compensate buyer for any damages buyer has sustained by virtue of the barrels not meeting performance criteria.

53S06. INSPECTION ¹

Buyer or seller may demand inspection of cheese for grade and weight before it is shipped. Such inspection shall be made prior to shipment at seller's facilities or at a warehouse near the seller's facilities and cost to be borne by the party requesting the grade. Such inspection shall be made by an independent third party grader such as a Wisconsin State Grader or a U.S. Government Grader. The results of such inspection, grading or weighing shall be final and binding to both parties.

If an inspection is requested the following deadlines shall apply.

1. Cheese between four and nine days old on the day of sale – Delivery time extended ten (10) additional calendar days.
2. Cheese between ten and thirty days old on the day of sale – Delivery time extended seven (7) additional calendar days.
3. Buyer shall pay 90% of the amount invoiced within 3 business days after the day of invoice, and the balance when grading is complete.
4. If the cheese delivered fails to meet specifications as stated in these rules a claim shall be made in writing and a copy delivered to the Clearing House.

If the buyer inspects and accepts the cheese or if he waives inspection, he cannot thereafter dispute the grade or weight of the cheese delivered to him.

Cheese failing to meet grade will be replaced with cheese meeting the requirements as stated in these rules.

A seller must have a replacement load available for pick up 3 business days after a failed grade has been issued.

A Buyer must pick up the replacement load 3 business days after the load is made available from the seller.

Any cheese in dispute shall be properly stored by the person having possession.

53S07. [RESERVED]

¹ Revised December 2002.

53S08. ASSOCIATED COSTS**53S08.A. - D. [Reserved]****53S08.E. Container and Pallet Charges ¹**

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 the Exchange and settled by an Arbitration Committee 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.

53S09. SETTLEMENT OF DISPUTES ²

All disputes arising from the operation of this Chapter, except for disputes noted under Rule 53S06, shall be arbitrated under the provisions of the Rules of Chicago Mercantile Exchange Inc.

53S10. EXCHANGE FEES ³

A fee of \$25.00 per carlot shall be paid to the Exchange by both the buyer and the seller.

53S11. FAILURE TO PERFORM ⁴

If the seller fails to deliver at the required time, he shall be in default, except that the President may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, he shall be penalized \$.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The President, in his sole discretion, shall determine such market price by taking account of bona fide sales and quotations on such date including any purchase by the buyer to replace the defaulted delivery.

If the buyer fails to accept delivery, he shall be penalized \$.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the President in the above stated manner. Payment shall be made as above.

Any failure to meet the deadlines set forth within this Chapter, except for Acts of God or Acts of Government, will subject one or both parties to a penalty of \$500 per contract, per calendar day payable to the Exchange at the close of each day. Repeated failure may result in suspension of trading privileges or expulsion for one or both parties.

Seller or Buyers who submit late, materially incomplete or erroneous delivery information or who cause material adjustments to delivery information shall be fined \$200 per contract per day, payable to the buyer or seller depending on the party that is harmed.

(End Chapter 53S)

INTERPRETATIONS AND SPECIAL NOTICES

¹ Revised July 1997; December 2002.

² Revised December 2002.

³ Revised February 2001.

⁴ Adopted December 2002.

RELATING TO CHAPTER 53S

INTERPRETATION TO RULE 53S04.B.

The method used in computing the moisture price adjustment tables noted in Rule 53S04.A. is as follows:

1. Legal cheddar cheese may contain 39% moisture; therefore, 61% of solids. A cheese containing 37% moisture would have 63% solids, etc.
2. Price to be paid for 37% cheese on a "dry basis" where market level is 52.75 cents for 39% moisture would be figured: multiply solids (100 less 37 equals 63) by market price (52.75) and divide by 61 (100 less 39).

This gives the price per pound of 37% cheese as compared to 39% cheese at the 52.75 cent market level (54.48 cents)

3. For 35% cheese on basis of 52.75 cents for 39% cheese: 65 times 52.75 divided by 61 equals 56.21 cents.

INTERPRETATION TO RULE 53S04.D.

Table for use in determining freight differential to be deducted from the sale price pursuant to Rule 53S04.D.:

Miles from delivery point to Green Bay, WI	Deduction per hundredweight on gross weight of invoice
300-319	\$.03
320-339	.07
340-359	.11
360-379	.15
380-399	.20
400-419	.24
420-439	.29
440-459	.34
460-479	.40
480-499	.45
500-519	.50
520-539	.55
540-559	.61
560-579	.66
580-599	.71
600-619	.76
620-639	.82
640-659	.87
660-679	.92
680-699	.97
700-729	1.03
730-759	1.10
760-789	1.17
790-819	1.25

Miles from delivery point to Green Bay, WI	Deduction per hundredweight on gross weight of invoice
820-849	1.34
850-879	1.42
880-909	1.50
910-939	1.57
940-969	1.64
970-999	1.73
1000-1029	1.80

1030–1059	1.88
1060–1089	1.94
1090–1119	2.02
1120–1159	2.10
1160–1199	2.18
1200–1239	2.26
1240–1279	2.36
1280–1319	2.45
1320–1359	2.54
1360–1399	2.62
1400–1439	2.72
1440–1479	2.82
1480–1519	2.90
1520–1559	3.00
1560–1599	3.09
1600–1649	3.18
1650–1699	3.28
1700–1749	3.39
1750–1799	3.50
1800–1849	3.62
1850–1899	3.72
1900–1949	3.83
1950–1999	3.93
2000–2049	4.05
2050–2099	4.16
2100–2149	4.27
2150–2199	4.38
2200–2249	4.49
2250–2299	4.60
2300–2349	4.71
2350–2399	4.82
2400–2449	4.93

Examples of calculations for freight differentials:

	Example 1	Example 2	Example 3	Example 4	Example 5
A. Seller location	Eau Claire, WI	Twin Falls, ID	Dallas, TX	Fresno, CA	Mankato, MN
B. Seller mileage to Green Bay	194	1,586	1,095	2,218	343
C. Seller deduction per cwt. gross wt. vs. Green Bay	\$0.00	\$3.09	\$2.02	\$4.49	\$0.11
D. Buyer location	Milwaukee, WI	Ogden, UT	Springfield, MO	Mankato, MN	East Atlantic City, NJ
E. Buyer mileage to Seller	234	184	421	1,895	1,230
F. Seller deduction per cwt. gross wt. vs. buyer	\$0.00	\$0.00	\$0.29	\$3.72	\$2.26
G. Net seller deduction per cwt. (lesser of C. or F.)	\$0.00	\$0.00	\$0.29	\$3.72	\$0.11

Example 1: The seller to buyer mileage (E) is greater than the seller to Green Bay mileage (B). Both are less than 300 miles. The seller pays \$0 freight differential.

Example 2: The seller to buyer mileage (E) is less than the seller to Green Bay mileage (B). The seller to buyer mileage is also less than 300 miles. The seller pays \$0 freight differential.

Example 3: The seller to buyer mileage (E) is less than the seller to Green Bay mileage (B). Both are greater than 300 miles. The seller to buyer mileage applies. The seller pays \$0.29 freight differential.

Example 4: The seller to buyer mileage (E) is less than the seller to Green Bay mileage (B). Both are greater than 300 miles. The seller to buyer mileage applies. The seller pays \$3.72 freight differential.

Example 5: The seller to buyer mileage (E) is greater than the seller to Green Bay mileage (B). Both are greater than 300 miles. The seller to Green Bay mileage applies. The seller pays \$.11 freight differential.