



CHICAGO MERCANTILE EXCHANGE®

International Monetary Market
Index and Option Market



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Commodity Futures and Options

Facts & Resources

CHICAGO MERCANTILE EXCHANGE®

The Chicago Mercantile Exchange (CME) lists several commodity futures and options products for trading:

- Live Cattle
- Live Hogs
- Lean Hogs (As of Feb. '97 Contract)
- Feeder Cattle
- Fluid Milk
- Pork Bellies
- Random Length Lumber

This booklet contains contract specifications for all of the CME's commodity products. To help you further understand these dynamic, exciting markets, it also includes a list of CME publications and videotapes available for further information.

To obtain a free copy of any of the printed materials listed, contact the CME Document Processing Center/ Customer Services at 312/930-8210. Videotapes are priced as marked; to order, send your request along with a check payable to the Chicago Mercantile Exchange to:

Chicago Mercantile Exchange
Marketing Services Department
30 South Wacker Drive
9th Floor, North Tower
Chicago, IL 60606-7499

Contract Highlights

Live Cattle Futures

Ticker Symbol	LC
Trading Unit¹	40,000 lbs. of 55% choice, 45% select USDA grade live steers
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract
Daily Price Limit	1.50 cents per pound = \$600.00/contract
Contract Months	Feb, Apr, Jun, Aug, Oct, Dec
Trading Hours² (Chicago Time)	9:05 a.m. - 1:00 p.m. Last day: 9:05 a.m. - 12:00 p.m.
Last Day of Trading	The business day prior to the last five business days of the contract month
Delivery System³	Certificate of Delivery
Delivery Days⁴	Any business day of the contract month (stockyard delivery) and any slaughter day of the contract month (approved packing plant delivery) plus the first two business days of the next calendar month, except that deliveries may not be made prior to the seventh business day (stockyard delivery) and the fourth business day (approved slaughter plant delivery) following the first Friday of the contract month.

¹Consult CME Rules for a more detailed definition of delivery standards and procedures.

²Trading will end at 12:00 noon on the business day before a CME holiday and on any U.S. bank holiday that the CME is open.

³Consult CME Rules for a more detailed description of tender, demand, retender, reclaim and assignment of Certificates of Delivery.

⁴Note that long positions outstanding during the contract month may be assigned to take delivery.

Options on Live Cattle Futures

Ticker Symbols	Calls: CK Puts: PK
Underlying Contract	One Live Cattle futures contract
Strike Prices¹	Even intervals of 2 cents per pound, e.g., 68¢, 70¢, 72¢; front 2 option months and serial months are at 1-cent-per-pound intervals, e.g., 68¢, 69¢, 70¢
Premium Quotation	cents per pound, e.g., 2.00 premium = \$800.00
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract (cabinet = \$5.00) ²
Daily Price Limit	None
Contract Months	Feb, Apr, Jun, Aug, Oct, Dec and serial months ³
Trading Hours⁴ (Chicago Time)	9:05 a.m. - 1:00 p.m.
Last Day of Trading	Non-serial options: The first Friday of the delivery month of the underlying futures contract. If that Friday is not a business day, then trading shall terminate on the preceding business day. Serial options: The first Friday of the contract month which is also a business day.
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.
Exercise Procedure¹	An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹Consult your broker for additional information or specific requirements, policies and procedures.

²A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

³Serial option months are Jan, Mar, May, Jul, Sep, Nov. They are listed only one at a time. As the current listed serial option expires, the next serial month is added.

⁴Trading will end at 12:00 noon on the business day before a CME holiday and on any U.S. bank holiday that the CME is open.

Live Hog Futures¹

Ticker Symbol	LH
Trading Unit²	40,000 lbs. of U.S. No. 1,2,3 barrows and gilts
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract
Daily Price Limit	1.50 cents per pound = \$600.00/contract
Contract Months	Feb, Apr, Jun, Jul, Aug, Oct, Dec
Trading Hours³ (Chicago Time)	9:10 a.m.-1:00 p.m. Last Day: 9:10 a.m.-12:00 p.m.
Last Day of Trading	The business day preceding the last five business days of the contract month, unless there are two or fewer delivery days remaining, in which case trading shall terminate on the business day preceding the final three delivery days of the contract month.
Delivery Days⁴	Any business day of the contract month, except Fridays, the day preceding a holiday, or prior to the second business day following the expiration of live hog options of the contract month.

¹ Effective with the February 1997 contract, Lean Hog futures replace Live Hog futures.

² Consult the CME rules for a more detailed definition of delivery standards and procedures.

³ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

⁴ Note that long positions outstanding during the contract delivery month may be assigned to take delivery.

Options on Live Hog Futures¹

Ticker Symbols	Calls: CH Puts: PH
Underlying Contract	One Live Hog futures contract
Strike Prices²	Even intervals of 2 cents per pound, e.g., 54¢, 56¢, 58¢; the front 2 option months are at 1-cent-per-pound intervals, e.g., 54¢, 55¢, 56¢
Premium Quotation	cents per pound, e.g., 2.00 premium = \$800.00
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract (cabinet = \$5.00) ³
Daily Price Limit	None
Contract Months	Feb, Apr, Jun, Jul, Aug, Oct, Dec
Trading Hours⁴ (Chicago Time)	9:10 a.m.-1:00 p.m.
Last Day of Trading	Option trading shall terminate on the first Friday of the delivery month of the underlying futures contract. If that Friday is not a business day, trading shall terminate on the immediately preceding business day.
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.
Exercise Procedure²	An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹ Effective with the February 1997 contract, Lean Hog options replace Live Hog options.

² Consult your broker for additional information or specific requirements, policies and procedures.

³ A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

⁴ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Lean Hog Futures¹

Ticker Symbol	LH
Trading Unit²	40,000 lbs. of 170-191 pound dressed hogs; 51-52% lean; .80-.99 inches of backfat to last rib (or equivalent)
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract
Daily Price Limit	2.00 cents per pound = \$800/contract; none on last 2 days of trading
Contract Months	Feb, Apr, Jun, Jul, Aug, Oct, Dec
Trading Hours³ (Chicago Time)	9:10 a.m. - 1:00 p.m. Last day: 9:10 a.m. - 12:00 p.m.
Last Day of Trading	10th business day of the contract month
Settlement²	Cash-settled to the CME Lean Hog Index, TM a two-day weighted average of USDA Lean Value Direct Hog Trade prices from the Western Corn Belt, Eastern Corn Belt, and Mid-South regions. The settlement index is calculated on the business day following the last day of trading.

¹ Effective with the February 1997 contract, Lean Hog futures replace Live Hog futures.

² Consult your broker for additional information or specific requirements, policies and procedures.

³ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Options on Lean Hog Futures¹

Ticker Symbols	Calls: CH Puts: PH
Underlying Contract	One Lean Hog futures contract
Strike Prices²	Even intervals of 2 cents per pound, e.g., 62¢, 64¢, 66¢; the front 2 option months are at 1-cent-per-pound intervals, e.g., 62¢, 63¢, 64¢
Premium Quotation	cents per pound, e.g., 2.00 premium = \$800.00
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract (cabinet = \$5.00) ³
Daily Price Limit	None
Contract Months⁴	Feb, Apr, Jun, Jul, Aug, Oct, Dec and serial months
Trading Hours⁵ (Chicago Time)	9:10 a.m. - 1:00 p.m.
Last Day of Trading	Non-serial options: 10th business day of the contract month; serial options: 10th business day of the month prior to the underlying futures contract month.
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.
Exercise Procedure²	An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹ Effective with the February 1997 contract, Lean Hog options replace Live Hog options.

² Consult your broker for additional information or specific requirements, policies and procedures.

³ A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

⁴ Serial option months are January, March and November. They are listed only one at a time. As the current listed serial option expires, the next serial month is added.

⁵ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Feeder Cattle Futures

Ticker Symbol	FC
Trading Unit¹	50,000 lbs. of 700 to 799 pound feeder steers
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$12.50/contract
Daily Price Limit	1.50 cents per pound = \$750/contract
Contract Months	Jan, Mar, Apr, May, Aug, Sep, Oct, Nov
Trading Hours² (Chicago Time)	9:05 a.m. - 1:00 p.m. Last day: 9:05 a.m. - 12:00 p.m.
Last Day of Trading	The last Thursday of the contract month, except that trading in the November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.
Settlement¹	Cash settled to the CME Composite Weighted Average Price for feeder steers calculated from published USDA data using a simple public formula.

¹ Consult the brochure, *CME Commodity Insights: Understanding The New Volume-Weighted Feeder Cattle Cash Settlement Index*, for more detail.

² Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Options on Feeder Cattle Futures

Ticker Symbols	Calls: KF Puts: JF
Underlying Contract	One Feeder Cattle futures contract
Strike Prices¹	Even intervals of 2 cents per pound, e.g., 78¢, 80¢, 82¢, except when an option contract becomes the nearby, then 1-cent-per-pound intervals, e.g., 78¢, 79¢, 80¢
Premium Quotation	cents per pound e.g., 2.00 premium = \$1,000.00
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$12.50/contract (cabinet = \$6.25) ²
Daily Price Limit	None
Contract Months	Jan, Mar, Apr, May, Aug, Sep, Oct, Nov
Trading Hours² (Chicago Time)	9:05 a.m. - 1:00 p.m.
Last Day of Trading	The last Thursday of the contract month, except that trading in the November contract shall terminate on the Thursday prior to Thanksgiving Day, unless a holiday falls on that Thursday or on any of the four weekdays prior to that Thursday, in which case trading shall terminate on the first prior Thursday that is not a holiday and is not so preceded by a holiday.
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.
Exercise Procedure¹	An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹ Consult your broker for additional information or specific requirements, policies and procedures.

² A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

³ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Fluid Milk Futures

Ticker Symbol	DA
Trading Unit¹	50,000 lbs. of Grade A cow's milk, 3.5% butterfat.
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$12.50/contract
Daily Price Limit	1.50 cents per pound = \$750/contract
Contract Months	Feb, Apr, Jun, Jul, Sep, and Nov
Trading Hours² (Chicago Time)	8:00 a.m. to 1:10 p.m. Last day: 8:00 a.m. to 12:10 p.m.
Last Day of Trading	Business day immediately preceding the last 7 business days of the contract month
Delivery Days	Any calendar day of the contract month beginning one business day after notice day

¹ Consult your broker for additional information or specific requirements, policies and procedures.

² Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Options on Fluid Milk Futures

Ticker Symbol	Calls: OA Puts: OA
Underlying Contract	One Fluid Milk futures contract
Strike Prices¹	Intervals of 50 cents per pound, e.g., \$11.50, \$12.00, \$12.50
Premium Quotation	cents per pound e.g., .20 premium = \$80.00
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$12.50/contract (cabinet = \$6.25) ²
Daily Price Limit	None
Contract Months	Feb, Apr, Jun, Jul, Sep, and Nov
Trading Hours (Chicago Time)	8:00 a.m. to 1:10 p.m.
Last Day of Trading³	Option trading shall terminate on the Friday that is at least two business days before the last day of futures trading
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.

Exercise Procedure¹ An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹ Consult your broker for additional information or specific requirements, policies and procedures.

² A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

³ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Frozen Pork Bellies Futures

Ticker Symbol	PB
Trading Unit¹	40,000 lbs. of USDA-inspected Pork Bellies
Price Quote	cents per pound
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract
Daily Price Limit	2.00 cents per pound = \$800/contract
Contract Months	Feb, Mar, May, Jul, Aug
Trading Hours² (Chicago Time)	9:10 a.m. - 1:00 p.m. Last day: 9:10 a.m. - 12:00 p.m.
Last Day of Trading	The business day immediately preceding the last 3 business days of the contract month.
Delivery Days³	Any business day of the contract month, except that delivery may not be made prior to the second business day following the first Friday of the contract month.

¹Consult your broker for a more detailed definition of delivery standards and procedures.

²Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

³Note that long positions outstanding during the contract delivery month may be assigned to take delivery.

Options on Frozen Pork Bellies Futures

Ticker Symbols	Calls: KP	Puts: JP
Underlying Contract	One Pork Bellies futures contract	
Strike Prices¹	Even intervals of 2 cents per pound, e.g., 60¢, 62¢, 64¢	
Premium Quotation	cents per pound, e.g., 2.00 premium = \$800.00	
Minimum Price Fluctuation (Tick)	.025 cents per pound = \$10.00/contract (cabinet = \$5.00) ²	
Daily Price Limit	None	
Contract Months	Feb, Mar, May, Jul, Aug, Nov ³	
Trading Hours⁴ (Chicago Time)	9:10 a.m. - 1:00 p.m.	
Last Day of Trading	The first Friday of the delivery month of the underlying futures contract, except for the November option on February futures, which expires on the third Friday of the preceding November. If those Fridays are not business days then trading shall terminate on the immediately preceding business day.	
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.	
Exercise Procedure¹	An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.	

¹Consult your broker for additional information or specific requirements, policies and procedures.

²A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

³The underlying contract for the November option is the February futures.

⁴Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Random Length Lumber Futures

Ticker Symbol	LB
Trading Unit¹	80,000 board feet of nominal 2x4s in random lengths from 8 to 20 ft.
Price Quote	\$ per MBF (Thousand Board Feet)
Minimum Price Fluctuation (Tick)	\$.10 per MBF = \$8.00/contract
Daily Price Limit	\$10.00 per MBF = \$800/contract; \$15.00 per MBF = \$1,200/contract after 2 successive limit bid or limit offer closes in the lead (non-spot) month contract. Limits revert to \$10.00 if the lead month does not close limit bid or limit offer. (No limit in spot month.)
Contract Months	Jan, Mar, May, Jul, Sep, Nov
Trading Hours² (Chicago Time)	9:00 a.m. - 1:05 p.m. Last day: 9:00 a.m. - 12:05 p.m.
Last Day of Trading	Business day immediately preceding the 16th calendar day of the contract month.
Delivery Days	Notice of Intent to Deliver may be given on any business day of the contract month after the last day of trading.

¹ Consult your broker for additional information or specific requirements, policies and procedures.

² Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Options on Random Length Lumber Futures

Ticker Symbols	Calls: KL Puts: JL
Underlying Contract	One Lumber futures contract
Strike Prices¹	Intervals of \$5/MBF (Thousand Board Feet) e.g., \$160, \$165, \$170
Premium Quotations	dollars per MBF, e.g., 5.00 premium = \$400.00
Minimum Price Fluctuation (Tick)	\$.10/MBF = \$8.00/contract (cabinet = \$4.00) ²
Daily Price Limit	None
Contract Months	Jan, Mar, May, Jul, Sep, Nov
Trading Hours³ (Chicago Time)	9:00 a.m. - 1:05 p.m.
Last Day of Trading	Last Friday which does not immediately precede a holiday in the month prior to the delivery month of the underlying futures contract. If that Friday is not a business day, then trading shall terminate on the immediately preceding business day, unless that Friday is Christmas Day, in which case trading shall terminate on the last business day of the preceding week.
Minimum Performance Bond	No performance bond required for put or call option buyers, but the premium must be paid in full; option sellers must meet additional performance bond requirements as determined by the Standard Portfolio Analysis of Risk (SPAN [®]) performance bond system.

Exercise Procedure¹ An option may be exercised by the buyer up to and including the last day of trading. To exercise, the clearing member representing the buyer submits an Exercise Notice to the Clearing House by 7:00 p.m. on the day of exercise. Any long in-the-money option position not liquidated or exercised prior to termination of trading will be automatically exercised unless the clearing firm submits contrary instructions.

¹ Consult your broker for additional information or specific requirements, policies and procedures.

² A trade may occur at a nominal price—cabinet—whether or not it results in liquidation of positions for both parties to the trade.

³ Trading will end at 12:00 noon on the business day before a CME holiday and on any US bank holiday that the CME is open.

Resources

Publications and Printed Materials

For Traders

- A06** How to Get Started Trading CME Commodities
- OA15** Livestock, Meat and Lumber Futures & Options Calendar Card
- M473** CME Agricultural Report Card
 - CME Agricultural Spread Charts
 - Historical Live Cattle/Feeder Cattle Report
 - Historical Live Hog/Pork Belly Report
 - Historical Lumber Report

For Hedgers

- A01** Live Cattle Futures & Options Facts
- A02** Frozen Pork Bellies Futures & Options Facts
- A03** Random Length Lumber Futures & Options Facts
- A04** Live Hog Futures & Options Facts
- A05** Feeder Cattle Futures & Options Facts
- A09** Risk Management Guide For Ag Lenders
- A16** A Self-Study Guide to Hedging with Livestock Futures
- A17** An Introductory Hedge Guide to Random Length Lumber Futures
- A40** Lean Hog Futures & Options Facts
- A41** Fluid Milk Futures & Options Facts
- OA07** Ten Strategies for Forward Pricing Livestock
- OA09** An Introduction to Lumber Options
- OA13** Managing Purchase Prices
- OA14** A Self-Study Guide to Forward Pricing with Livestock Options

Videotapes

The Agricultural Marketplace

Intended for all segments of the ag marketplace, this overview video shows the link between individual producers and CME operations. It illustrates the benefits of livestock futures and options for producers. (19:16) **(AV135) \$25.00**

Pit Talk: CME Floor Traders Answer Your Questions

In this video you'll meet three Exchange members who fill orders in the agricultural quadrant. They take you onto the trading floor and answer many of the most commonly asked questions about life on the CME trading floor. (24:50) **(AV137) \$25.00**

Power, Performance, Possibilities

See how "ordinary" people have "pumped up" their investment possibilities with commodity futures and options. Find out how making commodity futures and options part of your investment strategy can give your money some muscle. (7:50) **(AV138) \$15.00**

Please note: Videotapes are available in VHS only.

Training Program

Fundamental Factors at Work in the Meat Market

The CME presents this intensive, introductory homestudy course covering the fundamentals affecting today's meat markets. Divided into five modules, the 200-page manual contains exercises, case studies, price charts, graphs and more. Supplementing the workbook is a 4-hour videotape that leads the viewer through each module. **(AV29) \$65.00**

For Additional Information

For your convenience, following are some of the most frequently called CME numbers.

Contract Design

(Research Department)312/930-4590

Seminars (Marketing Division)312/930-4597

Publications312/930-8210

Clearing House

Deliveries312/930-3185

Options & Performance Bonds312/648-3888

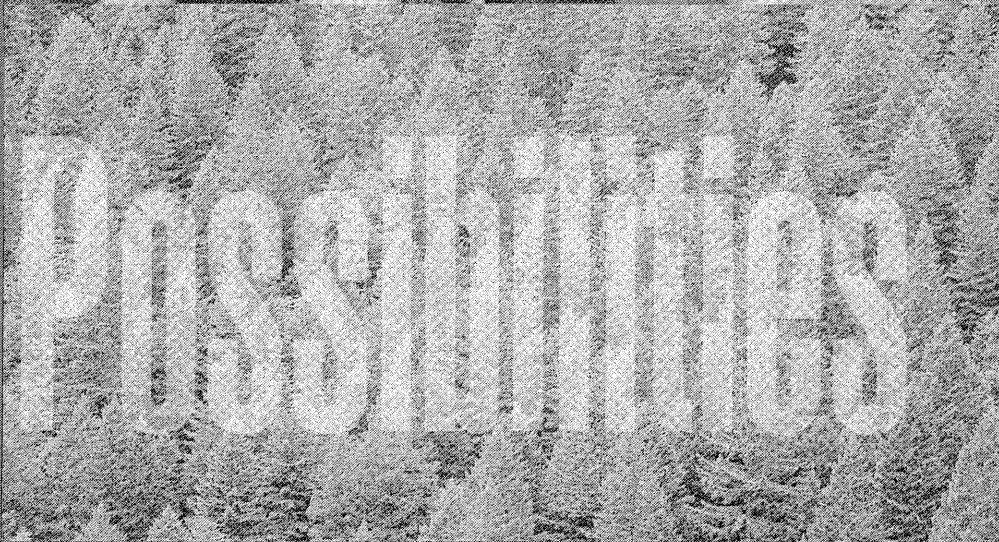
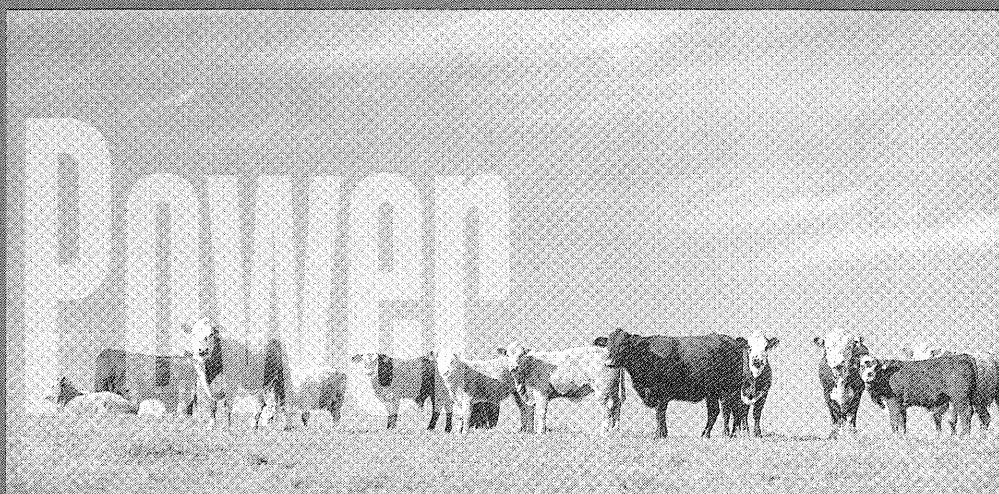
Complete Contract Rules312/930-3170

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All matters pertaining to rules and specifications herein are made subject to and are superseded by official Chicago Mercantile Exchange rules. Consult your broker or the CME Clearing House for delivery or exercise procedures. Current Chicago Mercantile Exchange rules should be consulted in all cases concerning contract specifications.

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How to Get Started Trading CME Commodities



CHICAGO MERCANTILE EXCHANGE®

Get Back to the Basics

Want an investment that's *fast-paced with a high return potential*? Talk to your broker about *commodity futures and options trading*—where *leverage* and the *ease of buying and selling* combine to help you make the most from even modest price moves. A great place to begin trading commodities is in the *agricultural markets* at the Chicago Mercantile Exchange (CME).

Other markets, such as bonds or energy, can be overwhelmed by the influence of professional traders, governments and institutions who sometimes can have dramatic short-term influence on price. Agricultural market participants are largely *individuals—like you—not institutions with millions and muscle*.

Trading agricultural futures and options at the CME gets you back to the *basics*. You're in touch with the *real world* when you trade agricultural markets—the world affected by floods and sweltering heat and by what people decide to eat and what type of house in which they want to live.

The CME gives you a choice of several *commodity products*: Live Cattle, Feeder Cattle, Lean Hogs, Pork Bellies, Fluid Milk, Butter, Random Length Lumber, and Oriented Strand Board (OSB).

Look around. Ask yourself whether demand for beef, pork or housing is changing. Ask yourself what you'd do if you were in the cattle, hog or lumber business. Every day, traders at these firms, known as *hedgers*, use CME markets to *manage price risk and enhance profitability*.

The "*fundamentals*" play a big part in commodity price movement. That means that your common sense in analyzing the *supply and demand* factors that affect prices goes a long way toward making a trading decision. Your *commodity broker* can help you develop a clear understanding of the current market situation.

Cattle
Cattle
d Board (OSB)
Hogs
ES
uid Milk
yth Lumber



**CHICAGO
MERCANTILE
EXCHANGE**

**FINANCIAL OPPORTUNITIES
WITH CME LIVESTOCK FUTURES**

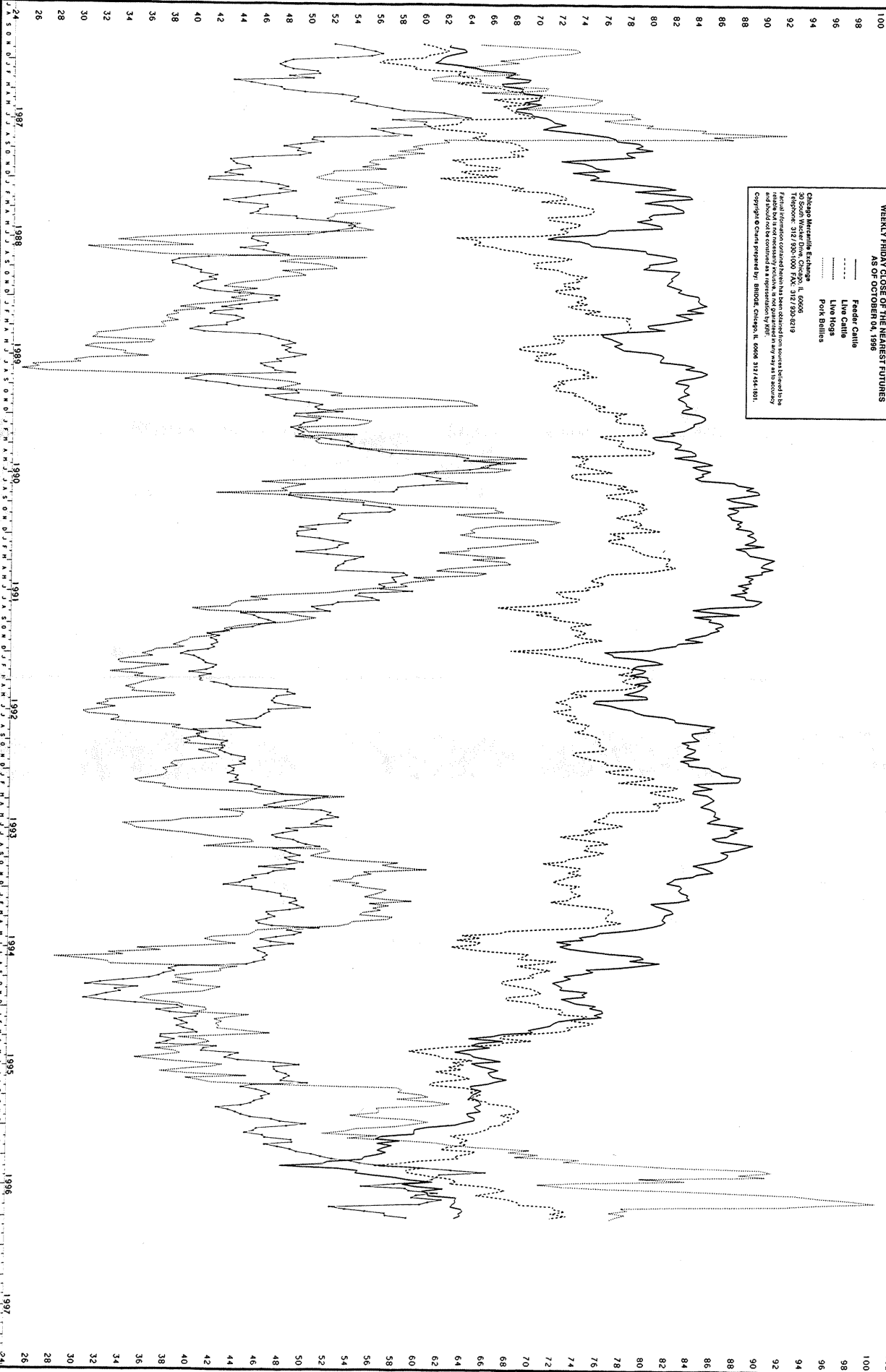
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**WEEKLY FRIDAY CLOSE OF THE NEAREST FUTURES
AS OF OCTOBER 04, 1996**

- Feder Cattle
- Live Cattle
- Live Hogs
- Pork Bellies

Chicago Mercantile Exchange
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Telex: 243000 CME
All data contained herein has been obtained from sources believed to be reliable. However, the data is not guaranteed to be accurate and should not be construed as a representation by CME.
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Buy low/sell high, or vice versa

Now, what is the secret to trading? **“Buy low, sell high,”** is the answer you’ll get from a crusty veteran. If you buy something at one price and sell it at a higher price, you make money. If you buy something at one price and sell it at a lower price, you lose money. But remember, in futures and options you can **buy and sell in whatever order you want**; it’s just as easy to “sell high, buy back low,” as it is to buy low, sell high. If you think prices are going up, establish a **“long” (buy) position**, and if you think prices are going down, initiate a **“short” (sell) position**.

The power of leverage

In the CME agricultural markets, **leverage** means that you need only commit a little money to control a lot of product—in other words, when you initiate a futures position, you usually only put up an **initial margin** (also known as “performance bond”) of about 5% to 10% of the value of the position.

Here’s how quickly a substantial move can occur: In April and May of 1994, June live cattle futures plunged \$11 per hundredweight (cwt.) over 32 trading days as the number and weight of cattle on feed increased. A

trader who sold a June cattle contract at \$74/cwt. on a margin of \$700 earned close to \$4,400 as prices fell to \$63/cwt. (\$11 gain/cwt. x 400 cwt.) for a **return of 628% on the initial investment** in little more than a month.

Conversely, when supermarkets featured more beef just prior to the July 4th holiday, a trader could have bought an August live cattle contract at \$62/cwt. and sold that contract back in mid-July for \$69/cwt., for a gain of close to \$2,800 on an initial margin of \$700, or a 400% return. (Of course, remember that it's just as easy to sustain a loss as it is to realize a gain in these markets.)

Get in and get out

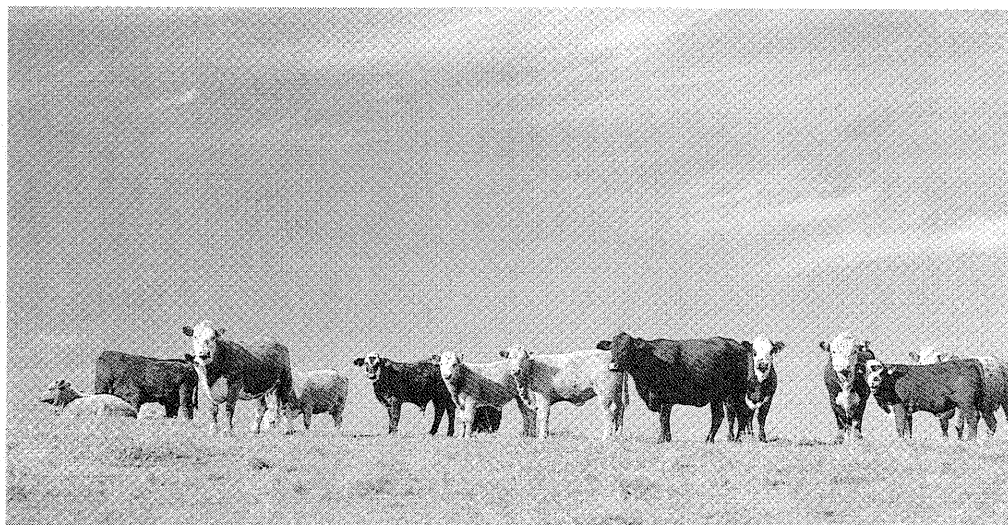
Agricultural futures contracts are **seldom held very long**. Usually, they are offset by an equal, but opposite, futures transaction that takes you out of the market. Because most commodity markets can move significantly from one trading day to the next, futures traders often get in and out of the market in a **single** trading day. However, if you hold your position until the contract delivery month, you can choose to make delivery (if you had sold a contract) or take delivery (if you had bought one) of the underlying commodity.*

Money Management

The initial margin requirement is **relatively small** compared to the value of the contract, and the resulting leverage can lead to quick and substantial profits (or losses. In fact, it's possible to lose more than the amount of money you've deposited.) A good rule of thumb is to use only funds that you can afford to lose without affecting your lifestyle. And, only a portion of these should be devoted to any one trade. Remember, not every trade will be a "winner." Some very successful traders may only "win" on 30-40% of their trades. The key is to **cut your losses short, and to let your profits run.**

* Except for the CME's feeder cattle and lean hog contracts, which are cash-settled.

Fundamentals / Technicals

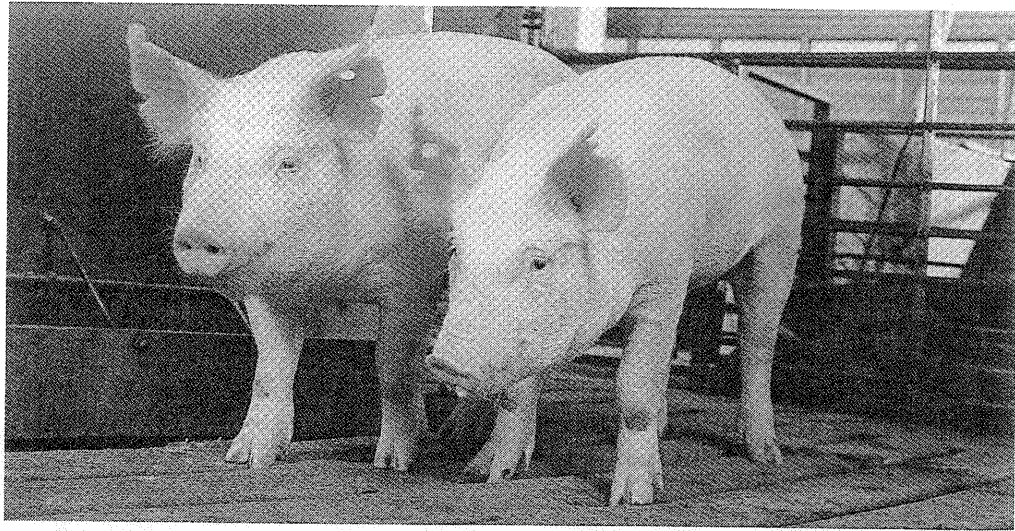


Trading Styles

Trading decisions typically are based on the opinion that a commodity's fundamental or technical outlook is going to change. **Fundamentals** include the product's supply and demand forces; **technicals** encompass a wide range of charting techniques involving a commodity's price, seasonals, cycles or volatility. Most traders define their approach as primarily fundamental or technical, but often use elements of the other approach to reach a well-grounded trading decision. Your **commodity broker** is probably well-versed in either fundamental and/or technical analysis, and can help guide you in developing your **trading strategies** and decisions.

Live Cattle and Feeder Cattle

The supply of beef cattle is a main fundamental focus for both live cattle and feeder cattle markets. (Feeder cattle are young animals sent to feedlots for finishing into "fed" cattle, the basis of the CME's Live Cattle contracts.) Beef cattle supplies are largely influenced by weather conditions, profitability and the price of feed. The major U.S. Department of Agriculture (USDA) report that traders watch is **Cattle on Feed**, released monthly.



Hogs and Pork Bellies

As in the cattle markets, weather conditions and the price of feed play major roles in determining producer profitability and, thus, the supply of hogs. However, hogs operate on a much shorter maturation cycle. A hog is marketed about six months after birth, compared to a beef animal that is marketed about 18 months after birth. Traders pay close attention to the USDA's *Hogs and Pigs* report, released quarterly.

Once a hog has been slaughtered, the excess pork bellies that are made into bacon are often frozen during fall, winter and spring in order to meet summer's seasonal demand increase. These frozen stocks are reported in the USDA's *Cold Storage* report, which is released monthly.

Random Length Lumber and Oriented Strand Board (OSB)

Lumber prices are very sensitive to demand, which is influenced by general economic conditions affecting the building industry, such as employment levels, interest rates and inflation. The major government report that lumber traders watch is *Housing Starts*, released monthly.



Fluid Milk and Butter

Weather conditions and the price of feed also greatly influence the supply of fluid milk. To keep up on the supply and demand situation for this commodity, traders tend to depend on the USDA's *Dairy Products* production report, released monthly.

Demand for milk and milk products such as butter is cyclical. Butter sales are at their highest annual levels from October through December. To track stocks, traders follow the USDA's *Cold Storage* report.

Technicals

The theory behind technical analysis is that all known fundamental information is reflected in the current futures price. The most common starting point for technical analysis is the **bar chart** that plots a trading period's opening, high, low and closing prices. Traders watch for new highs and lows, broken trendlines and patterns that are thought to predict price targets.

Seasonal patterns are particularly strong in the cattle, hog, lumber and dairy markets as annual supply and demand forces repeat themselves. **Cycle** analysis looks at longer-term price trends.

The Trading Process

How an order is executed

Once you've made your trading decision, you would then contact your commodity broker. After you give the broker the **buy or sell order**, it is transmitted directly to the CME floor via telephone or data transmission lines. Upon receipt, the order is time-stamped and delivered to the trading area, or pit, by an order clerk or runner, or it may be **flashed** directly into the pit via hand signals.

The **trading pits** are each divided into a number of sections designated for trading in particular contract months. No trading may occur outside a contract's assigned pit, nor is trading permitted at any time other than during those hours which have been designated by the Exchange.

Floor broker responsibilities

An individual floor broker is responsible for executing your order. **Floor brokers** are licensed by the federal government to execute trades for the public.

Order types

There's lots of variety in the instructions you can give to the floor broker that will help you get exactly the type of order execution you want. Rely on your broker for expert advice as to which instructions you should use in a particular market situation.

Market (MKT) An order to be executed immediately at the current market price.

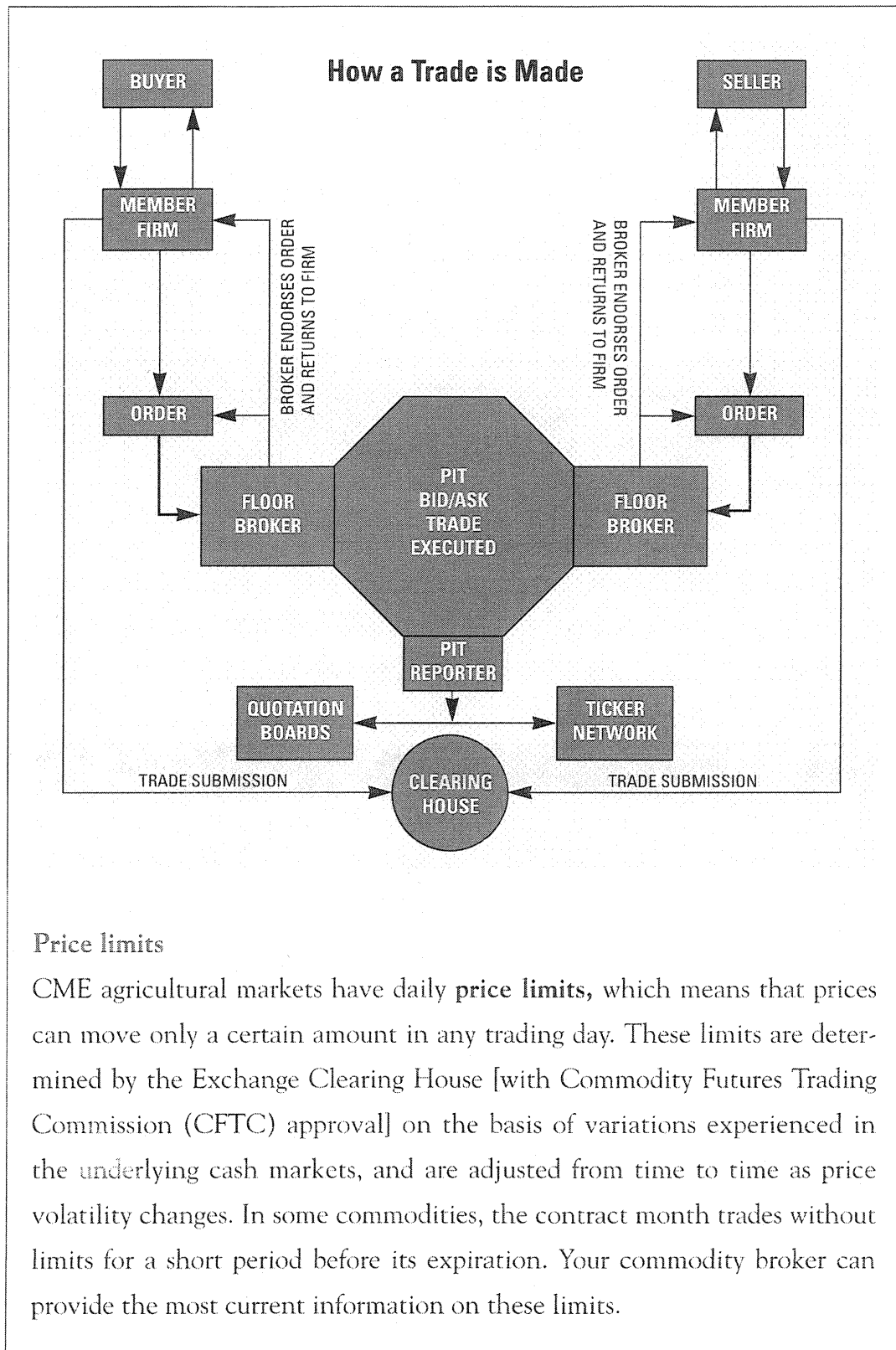
Limit An order that can be executed only at a specified price or better.

Day An order that automatically expires if it is not executed on the day it is entered.

Open An order that remains in force until canceled or until the contract expires. This is also called a "good-'til-canceled" order.

Spread An order to simultaneously buy and sell at least two different contracts at a quoted differential.

Stop An order that becomes a market order only when the market trades at a specified price; also called a "stop-loss" order.



Price limits

CME agricultural markets have daily **price limits**, which means that prices can move only a certain amount in any trading day. These limits are determined by the Exchange Clearing House [with Commodity Futures Trading Commission (CFTC) approval] on the basis of variations experienced in the underlying cash markets, and are adjusted from time to time as price volatility changes. In some commodities, the contract month trades without limits for a short period before its expiration. Your commodity broker can provide the most current information on these limits.

Tracking your trades

“What’s the current price?” is the first and most important question you need to answer when you’re trading. Price information is available from:

- Brokers
- Quote vendors
- Major daily and weekly newspapers
- On-line computer information services
- Private advisory services
- Financial programs on television and radio

Abbreviations

You’ll have to become familiar with the abbreviations used to identify the CME agricultural markets and contract months if you get your information from a broker’s ticker; also, you may want to use them as a type of shorthand when writing down prices as you hear them on radio, television or from your broker. Following are the symbols you’ll need to know:

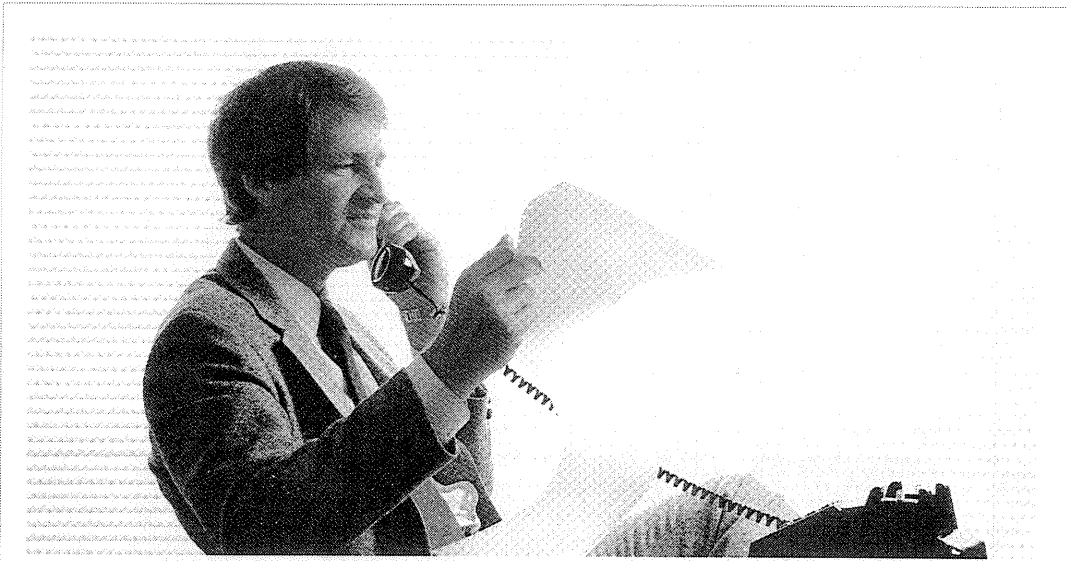
Products

Live cattle	LC	Lean hogs	LH	Lumber	LB
Feeder cattle	FC	Pork bellies	PB	Oriented Strand	
Butter	DB	Fluid milk	DA	Board (OSB)	BD

Contract Month Symbols

January	F	July	N
February	G	August	Q
March	H	September	U
April	J	October	V
May	K	November	X
June	M	December	Z

How to Get Started



Select a broker

Futures and options contracts are bought and sold through brokerage firms, just like stocks. You may want to talk to several commodity brokers before making your selection; you wouldn't want to enter the market until you feel comfortable with your choice. **Your broker represents YOU**—he or she will enter your order as you instruct and report the execution price back to you promptly. In addition, you may wish your broker to give you advice and help on various aspects of the market, and to simply “be there” when you have questions.

All brokers in the U.S. must pass qualifying examinations and receive a government license before they are permitted to handle customer orders. You can check on the registration status of your broker, or “associated person,” by calling the **National Futures Association** at 312-781-1410.

Sign account papers

Once you've found a broker who meets your needs, you would then open a **trading account**. Opening an account can involve several steps. After you've met the financial requirements set by your particular broker, you

must sign a **risk disclosure statement**. You cannot open an account until you've read and signed this document, indicating that you understand the risks involved in futures and options trading. Other documents that you may need to sign are a **margin agreement** (a statement that binds you to pay for any losses incurred during the course of trading) and a **commodity account agreement** outlining how the account is to be handled by the broker.

Deposit margin

Before you open an account to trade CME agricultural futures or options, you must deposit margin—either a cash deposit or another form of collateral—with your broker. The CME establishes minimum **initial and maintenance margin levels** for all products traded at the Exchange; your broker's requirements may be higher.

Marking to the market

At the end of each trading day and all following days that your position remains open, the contract value is "**marked-to-the-market**"; your account is credited or debited based on the settlement price on that day's trading session.

If your account falls below the maintenance level (a set minimum margin per outstanding futures trade), your broker will contact you for additional funds to replenish it to the initial level. Of course, if your position generates a gain, you can withdraw any excess funds from your account.

Commissions

Commission costs vary according to the services provided by a brokerage firm, and are negotiable. For futures and options contracts, the commission is normally a "**roundturn**" fee charged to cover the trades you make to open and close each position. This is payable when you exit the position.

Financial Safeguards of the CME

The Chicago Mercantile Exchange uses sophisticated risk management and financial surveillance techniques to protect Exchange members and customers from default on futures and options contracts. The Exchange **Clearing House** guarantees contract performance. The Clearing House is made up of more than 100 large, nationally known, financially sound brokerage firms. All floor traders must be affiliated with one of these firms and all trades sent to the floor must arrive at the desk of one of these same firms. After each trade is verified, the Clearing House acts as the third party to every trade (the seller to every buyer and the buyer to every seller), thus ensuring the integrity of all trades. The CME is financially backed by its clearing members as well as a special Trust Fund. This combination provides unparalleled safeguards for the protection and benefit of all CME market users. In the entire history of the Chicago Mercantile Exchange, there never has been a default or failure resulting in a loss of customer funds.

Do YOU Have What it Takes?

Are you a decision-maker?

Do you like a good, intellectual challenge?

Are you independent-minded?

Can you afford to take risk?

If you answered “yes” to these questions, then check out agricultural futures and options at the CME—where leveraged contracts can increase the **power, performance and possibilities** of every trade you make.

The Trading Plan

A well-organized **trading plan**—and the **discipline** to follow it—are essential elements of a successful trading program. That's because futures and options on futures are not long-term investments that you can just buy and forget. They may require monitoring on a daily (or even an hourly) basis because of the large impact a small price move can have on your account. Your commodity broker is key in helping you develop your plan and stay alert to important market changes.

A tool that can help with developing the discipline to follow the plan is a simple sheet (see next page) to record your trades and the reason they were placed. The **tracker sheet** also serves as a double-check against your brokerage statements.

The following example illustrates two perfect trades—which means that you shouldn't expect to ever have things work out quite this well when you're trading with real money. They are based on a June hog trade placed after a bullish USDA *Hogs and Pigs* report in December 1993 and reversed at the height of the Midwest's deep freeze in January 1994.

The **first trade** was to buy June hogs at 52 cents following the bullish *Hogs and Pigs* report. The initial margin for the trade was \$700. Willing to risk \$400, the trader placed the stop-loss order at 51 cents. Prices rallied throughout January's deep freeze and heavy snowstorms in the Midwest. The trade was exited on January 31 when prices reached 56 cents, for a 400-point, or \$1,600, profit per contract. In just over a month, the initial margin investment of \$700 had returned 229 percent!

The **second trade**, a short position established on January 31 at 56 cents (with a stop-loss order at 56.5 cents), was liquidated on April 8 at 52 cents, for another 229-percent-return on initial margin of \$700.

Following is a sample sheet for monitoring your trading activity. You may wish to modify it according to your special requirements.

Trade Tracker

Date	Commodity	Delivery Month	Number of contracts	Position	Price	Why?	Target	Stop	Date	Exit price	Why?	Total profit or loss
12/27/93	LH	M	1	Buy	5200	Bullish hogs and pigs report	Higher	5100	1/31/94	5600	Weather conditions	+400 points (\$1,600)
1/31/94	LH	M	1	Sell	5600	Cold weather ending	5200	5650	4/8/94	5200	Hit target	+400 points (\$1,600)

The information within this brochure has been compiled by the Chicago Mercantile Exchange for general information purposes only. Although every attempt has been made to ensure the accuracy of the information within this brochure, the Chicago Mercantile Exchange assumes no responsibility for any errors or omissions. Additionally, all examples are hypothetical fact situations, used for explanation purposes only, and should not be considered investment advice. All orders pertaining to rules and specifications herein are made subject to and are superseded by official Chicago Mercantile Exchange rules. Current Chicago Mercantile Exchange rules should be consulted in all cases concerning contract specifications.

AR675M/297



Green Bay

APR

cheese

trading to end

Controversial exchange to close;
move may not stabilize prices

BY AMY RINARD
of the Journal Sentinel staff

Madison — Green Bay's embattled National Cheese Exchange will shut down at the end of April and the trading of cheese will move to the Chicago Mercantile Exchange in May, officials said Thursday.

The move ends a long period of controversy for the cheese exchange, during which questions were raised about its traders manipulating national milk prices, its office was blockaded by tractor-driving farmers, and legislation imposing state regulations on cheese trading was approved by the state Senate.

Cheese exchange President Richard Gould attributed the

closing to a growing belief by traders — including some of the nation's largest cheese manufacturers, processors and distributors, such as Kraft Foods — that Wisconsin had become a hostile business climate.

Although only 2% of all cheese bought and sold in the nation is traded on the Green Bay exchange, its weekly price for cheddar is a key component of the formula now used by the U.S. Department of Agriculture to set the minimum price farmers across the country are paid for milk.

Because of its role in setting what is known as the basic formula price for milk, the tiny ex-

Please see **CHEESE** page 14

Cheese/ Market to move to Chicago

From page 1

be in restoring the confidence of farmers in the cheese market, because the Chicago Mercantile Exchange is subject to federal regulation, Cropp said.

The federal Commodity Futures Trading Commission has the authority to regulate trade on the Chicago Mercantile Exchange, one of the world's largest commodity exchanges.

"This oversight is expected to bolster confidence in the new market for cheese, thereby encouraging increased trade," said a statement issued by the Green Bay exchange and the National Cheese Institute, which is an organization of traders on the exchange.

Trading of cheese on the Chicago exchange is expected to draw more traders and more volume than there has been on the Green Bay exchange.

Unlike the National Cheese Exchange, traders on the Chicago Mercantile Exchange remain anonymous, and trading is done through a network of professional brokers.

Willard F. Mueller, a UW-Madison professor and one of the authors of a report that raised questions about market manipulation on the exchange, said anonymous trading would help discourage collusion among traders.

With the shutdown of the exchange, there no longer will be a National Cheese Exchange price to plug into the formula used by USDA to set the national minimum price for milk.

USDA officials already are moving to overhaul the milk price formula. Earlier this month, the agency released six options under consideration, and none of them utilized a cheese price from the exchange.

A final recommendation on a new formula is expected in December.

change has become a focus for farmers' anger and frustration over recent declines in milk prices.

University of Wisconsin-Madison researchers raised questions about the ability of large traders to use the exchange to influence milk prices across the country. A federal investigation into those questions found no evidence of antitrust violations.

Gould pointed specifically to a bill approved by the state Senate, SB 2, as a reason for shutting down the Green Bay exchange, which has its origins in the Plymouth Dairy Board, which was established in 1909.

"SB 2 forced us to move," said Gould Thursday. "Our (traders) felt there was constant harassment by farmers and politicians. If it wasn't SB 2, then it'd be something else. We've been investigated until our ears fall off and no one has ever found anything wrong."

Gould said he hoped that, in shifting trading to the Chicago Mercantile Exchange, "those who complain about the National Cheese Exchange will ultimately accept the reality that in a free market, supply and demand will determine prices, and that attempting to assess blame where none exists will not improve prices."

Robert Cropp, dairy marketing economist in the University of Wisconsin-Madison Department of Agriculture and Applied Economics, said moving cheese trading to the Chicago Mercantile Exchange would not stabilize milk and cheese prices.

"Prices will continue to be volatile because the government is no longer providing a safety net with high support prices," he

ASSEMBLY REPUBLICANS ARE APPLAUDING THE ANNOUNCEMENT OF PLANS TO CLOSE THE NATIONAL CHEESE EXCHANGE IN GREEN BAY AND MOVE THE CASH MARKET TO THE CHICAGO MERCANTILE. REPRESENTATIVE AL OTT SAYS THE NEW CASH MARKET SHOULD RESTORE PUBLIC CONFIDENCE. REPRESENTATIVE DAVID WARD.. HIMSELF OWNER OF A DAIRY FARM.. SAYS REPUBLICANS WILL CONTINUE TO PRESSURE FEDERAL AG OFFICIALS TO REPLACE THE EXCHANGE AS A WAY OF SETTLING MILK PRICES.

(END)

Page

For you files
[Signature]

STATE OF WISCONSIN

To Mr AI

Date _____ Time _____

WHILE YOU WERE OUT

M John Heammersbach

of Cashton, WI

Phone _____

Telephoned	<input type="checkbox"/>	Please Call	<input type="checkbox"/>
Called to See You	<input type="checkbox"/>	Rush	<input type="checkbox"/>
Returned Your Call	<input type="checkbox"/>	Will Call Again	<input type="checkbox"/>

Message Support SB 2, 03

Passed by Senate



Party Receiving Call

- Dairy industry does not need more upheaval
- substantial progress is being made at private sector + federal level
- steady hand of leg. is needed

* delinmax almost solution

* private sector solution at CSCE or MERC

- false - hope - increase bottom-line
- tools to become more competitive
- again farmers being used for political purposes

~~Bonnie Gladowski~~

1-31-97

Janice Vestitor - Rice Lake

* Wants it documented that she wants you to support SB2 as passed by Senate

Bonnie Gladowski - Strum, WI

1-31-97

* Supports passage of SB2 as is

* Was told by another farmer that you were rewriting SB2 for passage in the Assembly - told her that was not true

Madeline Hoegl

1-31-97

- dairy farmers are very concerned that Davis Von Roden be included in meeting - would all call Washington - going to put it across the state if he's not - heard all opposes SB2 - told her you don't oppose regulating the NCE - not sure that SB2 is the vehicle - could drive NCE out + nothing is gained - she agrees - told her you focusing on delimiting glad to hear that

Gaming + Decker

- Feingold invited - thanked him for inviting them
- Alice is going

Wlickman
continue to hold the line that farmers has to be restored in

Kohl bill
- rejecting CFTC to regulate the Exchange

Will told Kohl + Feingold's people last week they are expanding our future political

Don Storch's

- moving a shift in his board (60 producers (maybe we pushed this too far and should have more producer approach))
- maybe pushing detaching too far - don't want to disrupt the business practices too fast
- in light of speaker's revelation

- other means of price discovery

as long as there is an NCE -
coops are needed to counteract
Kraft - he can't prove it, but
some coops say they've held
the price up or raise the price

* Mid-Am make cheese + sell - don't
manufacture all that they have
commitments for - they then buy
off of Exchange (working on behalf of
their members to keep price up)

* Will's picking up that the NCE
will pick up + move

(Will's in Florida at Coop convention -
he showed them language of Clausen's
bill - they don't like it, but don't
know if they can oppose it - Will thinks
Mid-Am couldn't do what they do under
Clausen's bill)

Debra Van Dylle

- 15 diff. companies (several coops,
to testify against proprietaries,
Clausinger's bill companies)

1-6-97

Chris Tackett

- WI Merchants Federation

257-3541 - Call him

- recommends that you do not cosponsor Clausinger's bill

(it's a 2,000 lb gorilla)

- thinks NCE will say state has no jurisdiction & if state tries to enforce NCE will just move

- WMF has been helping the Gov thru this whole thing w/ Kraft - Gov is trying to put blame on Slickman -

Tackett thinks a good meet for you would be to go to Washington w/ Gov - you will look good to your constituents

Will Hughes

- * Trading against interests
- inhibits normal business practices - not only for Kraft, but also for coops (Mid-Am)

- Will voted against "Trading against interest" rule on Trade Force

- didn't think was enforceable
- could deter some good business practices

* all people who trade cheese have inventory that they trade against their best interest

* separating what is a systematic pattern from a shady one - regulatory bottleneck
* hoped NCE would modernize & clamp down on its rules

? Meet w/ Professional Dairy Producers (+ Processors)

Ag Secretary Considers New BFP

By Joel McNair
State Editor

National Cheese Exchange price quotes could soon be banished from the formula that determines the Basic Formula Price (BFP), Agriculture Secretary Dan Glickman said last week.

Glickman announced that he would seek public comment on whether cheese exchange price quotes should be used in the formula that determines the monthly BFP. The secretary said that farm groups and lawmakers have expressed strong concerns that exchange trading does not reflect overall supply and demand for cheese.

The ag department will consider changes in the BFP calculation that could take effect well before an April, 1999 deadline for overall changes in Grade A pricing under federal milk marketing orders.

"We must address these concerns now so that dairy producers have confidence that the prices they receive reflect market conditions. We cannot wait until April, 1999 to address this issue," Glickman said.

The BFP is the primary mover of Grade A milk prices under federal milk marketing orders. Since May of 1995, the BFP has been composed of two parts. The first is a survey of Grade B pay prices in Minnesota and Wisconsin. This price is adjusted by changes in dairy product prices during the latest month.

Cheese exchange price quotes for 40-pound blocks of cheddar are the



Dan Glickman

biggest factor in this price adjustment. Farm groups and some Wisconsin lawmakers have complained that the cheese exchange does not accurately reflect overall cheese supply and demand because the market trades less than 2% of all cheddar produced in the U.S.

The 1996 farm bill mandates changes in milk marketing orders by no later than April 4, 1999. Most dairy industry officials expected a new BFP calculation to be included in those changes.

But Glickman said last week that the cheese exchange factor would be made a separate issue that could be decided well before 1999. Anyone interested in the issue will have until March 31, 1997 to offer comment.

Address comments to: Dairy Division, AMS, USDA, Attention: BFP Evaluation, Room 2968-S, P.O. Box 96456, Washington, DC 20090-6456.

Said Glickman, "Based on the comments we receive, we will determine whether we should proceed with a national hearing on replacing (cheese exchange) prices in establishing the NCE."

A Wisconsin delegation led by Governor Tommy Thompson was expected to push for such changes during a trip this week to Washington D.C. Ideas for replacing the BFP were the main focus of a report from the Governor's Task Force on Cheese Pricing. The group was planning to present the report to Glickman and other officials.

Farmers accompanying Thompson on the trip included task force members Gary Anderson, Cecil; Jim Holte, Elk Mound; Gerald Jaeger, Campbellsport; Bob Thelen, La Farge; Jon Peterson, Cashton; and Darin Von Ruden, Westby. Other farmers included Pete Knigge, a dairyman from Omro and member of the state agriculture board; Bill Brey, Sturgeon Bay, a dairyman who is president of the Wisconsin Farmers Union; Dan Poulson, Palmyra; Wisconsin Farm Bureau president Ken Lindquist, Highbridge, Wisconsin NFO president; and Wil Turba, Elkhart Lake, a retired dairyman now serving on the state ag board.

Also going to Washington were state agriculture secretary Al Tracy and Bill Oemichen, administrator of the state ag department trade and consumer protection division.

Sub 5-0

basis of sub was Clawson's sub

- DATCP authority
- reporting requirement to DATCP

(new)

- DATCP authority to monitor & supervise trading on NCE
- in addition to DATCP regulating trading against interest - they must prom. rules define other behavior which manipulates price
- if DATCP finds violation of rules on price man. or trades against interest - DATCP ~~can issue~~ refuse trading ^{privileges} ~~authority~~ at NCE
- gives DATCP ability to file an injunction - if co. violates an injunction they can be fined a civil forfeiture (in addition to civil FORF. if found guilty in court)

over

* ? Memo on arguments of
bill.

ABA

* took out ability for individual
or coop etc. to file suit (no
class action suits)

- ~~Rule 20~~ on any rules to administer
this
- Emer rule on price man. w/in 60
days of enactment of bill
- perm. rules must be done by
Oct 1 after enactment

Russ Westness - Agri - Business Council

& passed resolution opposing SB2

endanger Gov + DATCP - effects
to get NCE delinked from milk
price

- Lied - drafted resolution
- Russ introduced - it passed w/ necessary 2/3

1-27-96

Dick Eiting - Kaukauna

* strongly opposes S.B. 2
Whisk Cloud Dairy

phone - 414-766-5765

Patrick Hack Phone 714-273-2705

Hack Farms, Inc. - Fort Atkinson
414-593-8880 fax

\$60,000/month down since Septs.
norm - \$30,000 / 40,000 down

- using futures, but concerned b/c NCE affects coffee + sugar exchange
- give posters to all snowmobiles clubs saying use our land + promote our dairy products

Doug Johnson
~~###~~

608-257-3541

Wt. March Fed.

opposed
Kraft
Oscar Meyer

~~###~~

Delayed ~~by~~ implementation
6 mos

266-2984

STATE OF WISCONSIN

To Al

Date _____ Time _____

WHILE YOU WERE OUT

M Doug Johnson

of _____

Phone 257-3541

Telephoned		Please Call	<input checked="" type="checkbox"/>
Called to See You		Rush	
Returned Your Call		Will Call Again	

Message real quick
608-695-3591



Party Receiving Call

1-28-97

SB2

Jamie Voelker - dairy farmer

Rice Lake

- addressing a flaw in the system
- F.B. saying they've never been charged.
- rather than focus on manipulation
- if opportunity is there - potential exists

Call sheet Kelly
- require secret

Gov - issuing press release - think its great - come together + set your own price, but he's not organizing it

* Constitutionalality of "Trading against interests" → people from other states trade on exchange / interstate commerce

SBZ vs. AJR14

SBZ - puts some degree of state regulation over NEE as long as they are in w/

AJR14 - all is asking for federal regulation of a national market

* no problem even if both regulate - can have multiple layers of regulation - if a conflict arises - federal law would apply

* eventually, if a federal agency regulates, question may arise why is state doing anything

#17 billion dairy industry (all - trucking, manufacturing)

#3-4 billion - value to farmers

DATCP Fiscal Estimate
- done on outz \$170,000 + - 5 people - 4 year
(U.W. Study = \$800,000 w/ no investigations)

NCE should be where cheese is made
↓
CFEC monitors the
other exchanges

DATCP would have
to monitor NCE

* \$82 Sub more specific regulations than perhaps CFTC -
but CFTC would look for same action

* Is it the buyers responsibility to make sure they're
buying at best price? (impossible) - * Kraft / Foremost -
have outlets
time frame - ? weeks before + after
all over country -
not feasible to go
to everyone

* UW Study
- in 1991 (?) Kraft traded against interests
- people are saying that because of this - prices went
down in 1996

* Thus far - Stok hasn't found a "trading against interests"
definition in federal law

* Are we singling out NCE or would feed / corn dealer
be subjected - NO - not private arrangements
* most cheese is sold privately - not subject

? could state impose similar regs that CFTC would
impose

* less usual to put these specifics in law

why shouldn't ~~we~~ we regulate NCE

National issue - if every state tried to get involved - total chaos in
dairy industry

(last 19 mos. - crazy old M-W price vs. NCE - prices would have been
lower)

Umhoefer 85 companies

- making exchange even thinner - perhaps undervaluing it users

(Larsen - cheesemakers should be on same side as farmers)

Hughes 10 member coops

- SBZ would put coops at risk

- USDA said last week they are not going to use NCE in BFP as long as there is a question of public confidence

or - David Apt - Viroqua (lawyer/dairy farmer)

"bill has teeth in it - not some cockamamie resolution"

or - Francis Goodman - American Raw Milk Producers Pricing Assn

- Coops are very inefficient, unproductive

- " control 80% of milk supply in nation - they could fix it if they wanted"

r - Madeline Fogel (Platteville)

(doesn't milk - 4 brother-in-laws that milk)

r - John Hammesbach - Caohnton (dairy farmer)

unt - Jim Sartori - ^{the next institute} NCI (Sartori Foods - Plymouth)
Pres + CEO

Jim ~~Quinn~~ - National Milk Producers Federation (honest dairy farmers)

(Milwaukee Milk Producers) ↓ on Board
Bird → Manager

r - Mark Kastel - "Farm Policy Consultant" Lafayette

r - Susan Sturm - Westby

* need cost of production too stay in business (big or small farmers)

* no \$ to buy groceries, shoes

rr - Bill Pfaff } Assn. of WI Snowmobile Clubs

26,000 family members
1,400 businesses
1,000 associates

- Morris Nelson
± dairy farmer

- \$200 million/year for WI (snowmobile registrations/gas tax)

- 6 or 7 counties - trails closed

Photo
- over 25,000 miles of trails in WI - cover 80% of land - about 60% is farmland
- backing farmers + SB2

(lien - 24,000 signatures)

Steve FOR (WFO) farmer

Joan Behr - Foremost Farms
Richard Wagner - Weyauvega Dairy
Bill Brown - Mid-America Dairymen, Inc.
Corporate Headquarters
Springfield, MO

Against

James Wenzing - FOR farmer

Gregory Blaska - (WFO) - FOR (Sun Prairie)
(sounds Republican)

Dennis Cabowski - Alto Dairy
Debra Van Dyke - Schreiber Foods +
~~Marathon Cheese~~ Marathon Cheese
Jerry Nagel - Land O'Lakes
Byron Smith - Borden Foods

Against

Van Dyke - legislation will impede current cash market
- believe market has responded to conditions (too much cheese in market)
- not heading against interests

Janet (for Sen. Feingold) FOR

Christopher Dodge - Midwest Equipment Dealers Assn - FOR

* success of equipment dealers is related to success of farmers

* at meeting last week of many dealers - overwhelming support

Bill ^(Grey) ~~Blay~~ (WFO) farmer FOR
"Change the Cheese Exchange" campaign

+ NFO + WI Rural Development Center

* Lasee wants to be a cosponsor - supports bill

Lasee - makeup of task force "so unfair to dairy farmers" - don't know who advised him to make task force

* Clausing - "swift action"

Senate Bill 2 - 1/21/97 Senate Ag hearing

For - Clausing (testimony)

Against - Sec. Tracy

- April 1996 - DATP Bd. considered rule
- Bd. referred rule to Task Force
- Task Force 13-3 against rule
 - primarily b/c NCE would likely move ←
 - reg should occur at federal level - if not
 - if NCE is taken out of BFP - SB 2 would be moot

18 = FOR
13 = AGAINST
1 = FOR INFO ONLY

* CSCE is moving toward developing its own cash market (currently)

* Gov tailing delegation to DC - asking CFTC + FTC to reevaluate authority over NCE

* SB 2 could require several staff people + be costly

* thinks its clear CFTC has authority to regulate NCE

(Lasee?) * state authority { building court cases will take a lot of time → not a rapid fix }
(if we fail w/ CFTC - then perhaps state should make political statement by passing something like SB2)

(Lasee - moving out of state is ^{threat} blackmail)

* (Clausing - "what do you suggest be done to help the farmer's psyches?")

For - Darin Von Ruden

- task force gave NCE the right to kill dairy farmers
- if NCE moves - hopefully that state will have trading against interest law

Info Only - Dave Daniels (on behalf of Farm Bureau)

For - John Kinsman (LaVale, WI)

For - Gene Larson (WFO - Baraboo)

Against - John Umhoefer, Will Hughes, Brad Seyd (WI cheesemakers, WFC, WI Dairy Products Assn.)

Seyd

1. national issue - changing pricing mechanism for whole nation
2. numerous federal hearings already held
3. # of coops + proprietary dairy companies support NCE

Sheila
Paul
Ward

Will

? letter to Cheese Exchange, Cheese Institute, USDA, CFC

- what do they have in motion now
- outline

Will - calling Kevin O'Connor

John L

public comment to USDA



WISCONSIN
FARMERS
UNION



December 30, 1996

Rep. Al Ott
P. O. Box 8953
Madison, WI 53708

Dear Rep. Ott:

I am writing to encourage your support for and co-sponsorship of a bill draft (LRB-1552/2) being circulated by Senator Alice Clausing. The bill concerns the National Cheese Exchange and milk prices in Wisconsin. This bill focuses on two of the principal issues of most concern to dairy farmers: 1) the possibility of manipulating the price of milk and cheese; and 2) the practice of trading against interest on the National Cheese Exchange.

The members of the Wisconsin Farmers Union believe that this bill is an integral part of the effort needed to reform the trading practices on the National Cheese Exchange and to allow dairy farmers to receive a fair and reasonable price for their milk. Our members also believe this bill is one example of actions that can be taken on the state level to address problems involving the National Cheese Exchange and falling milk prices.

This bill will be a priority for the Wisconsin Farmers Union during the 1997-1998 legislative session. We would greatly appreciate your co-sponsorship of this very important bill.

Thank you.

Sincerely,

David H. Nispel
Assistant to the President

DHN/dn