



August 5, 2016

CME Group Announces New Steps to Enhance Live Cattle Futures Markets

- **Seasonal discount for futures deliveries at Worthing delivery point**
- **Revised grading and quality specifications**
- **Delayed listing of additional contract months beyond October 2017**

CHICAGO, Aug. 5, 2016 /PRNewswire/ -- [CME Group](#), the world's leading and most diverse derivatives marketplace, today announced it will take a number of actions designed to enhance Live Cattle futures markets. These new measures are based on continued collaboration with and feedback from the cattle industry as well as the results from an independent study conducted by [Informa Economics](#).

"We greatly value our relationship with the cattle community and are committed to helping producers and commercial firms manage their price risk," said Tim Andriesen, CME Group Managing Director of Agricultural Products. "Since the start of the year, we have been working with the NCBA and the broader industry to enhance our cattle futures markets. While we are announcing these changes and will continue our ongoing work with the industry, we have concerns about the lack of transparency of cash cattle markets."

The actions to be taken are as follows:

- 1 **Seasonal Discount at Worthing, SD delivery location** - Based on extensive customer feedback, internal review and Informa's independent research, CME Group will add a seasonal discount of \$1.50 per hundredweight on live cattle tendered to its Worthing, South Dakota delivery location for the October contract only. The new discount will be effective with the October 2017 contract, which will be listed for trading on Monday, August 22, 2016, pending CFTC review. The extensive research supporting this decision concluded that this discount would better align delivery values with cash market prices and maintain compliance with CFTC's policy on location price differentials, while resulting in little or no impact on local cash cattle prices. The full Informa Economics report, *Regional Cattle Price Differences and Their Impact on CME Live Cattle Delivery Points*, is available at www.cmegroup.com/livestockupdates.
- 1 **Revised grading and quality specifications** - Based on industry feedback and increasing quality grades seen in all major fed cattle regions, CME Group will update par quality grades for both live and carcass-graded deliveries to 60 percent choice and 40 percent select, from 55 percent and 45 percent respectively. Pending regulatory reviews, these changes will be effective with the October 2017 contract month.
- 1 **Delayed listing of additional contracts** - CME Group applauds the efforts of the industry to create additional market transparency, particularly through efforts like the recently introduced cash cattle auctions. Transparent, negotiated or auction-based cash markets are a prerequisite for effective futures markets, particularly those with physical delivery. However, only approximately 20 percent of cattle sales are negotiated in cash markets across the U.S. today with less than five percent in major producing states like Texas and Oklahoma. As a result, CME Group will delay listing any additional contract months beyond October 2017 as we continue working with the industry to evaluate ways to improve cash market transparency, review cash market developments and consider the introduction of cash-settled products if transparency does not improve.

For more information on these and other steps taken by CME Group to address cattle market performance visit www.cmegroup.com/livestock updates.

Live Cattle futures contracts are listed with and subject to the rules and regulations of CME.

As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) is where the world comes to manage risk. CME Group exchanges offer the widest range of global benchmark products across all major asset classes, including futures and options based on [interest rates](#), [equity indexes](#), [foreign exchange](#), [energy](#), [agricultural products](#) and [metals](#). Around the world, CME Group brings buyers and sellers together through its [CME Globex®](#) electronic trading platform and its exchanges based in Chicago, New York and London. CME Group also operates one of the world's leading central counterparty clearing providers through [CME Clearing](#) and [CME Clearing Europe](#), which offer clearing and settlement services across asset classes for exchange-traded and over-the-counter derivatives. CME Group's products and services ensure that businesses around the world can effectively manage risk and achieve growth.

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