Short-Dated New Crop Options on Grain and Oilseed Futures

Cost-Effective Tools for Trading New Crop Markets

Short-Dated New Crop (SDNC) options provide liquid, shorter term alternatives based on new crop Corn, Soybeans, Chicago Soft Red Winter (SRW) Wheat and KC Hard Red Winter (HRW) Wheat futures. The key difference between SDNC options and standard options is that SDNC options expire at various points throughout the growing season – earlier than the standard new crop options – but are tied to a longer-dated new crop futures contract.

Because of their lower time value, SDNC options allow market participants to manage risk or gain exposure in new crop futures contracts at a relatively lower cost. This enhances hedging flexibility and offers an array of trading opportunities for those seeking cost-effective ways to take positions around key economic events and targeted times in the growing season.

Features

- The underlying futures contracts for SDNC options are December Corn, November Soybeans, July Chicago SRW Wheat and July KC HRW Wheat.
- Contract listings:

  Corn and Soybeans: January through September.

  Chicago SRW and KC HRW Wheat: Each will have three contract months: December, March and May.
- SDNC options will be listed for two years out and will exercise into the respective underlying futures contract nearest to the expiration of the option.
- A new listing cycle will begin on the first trading day following the expiration of the next standard September option.

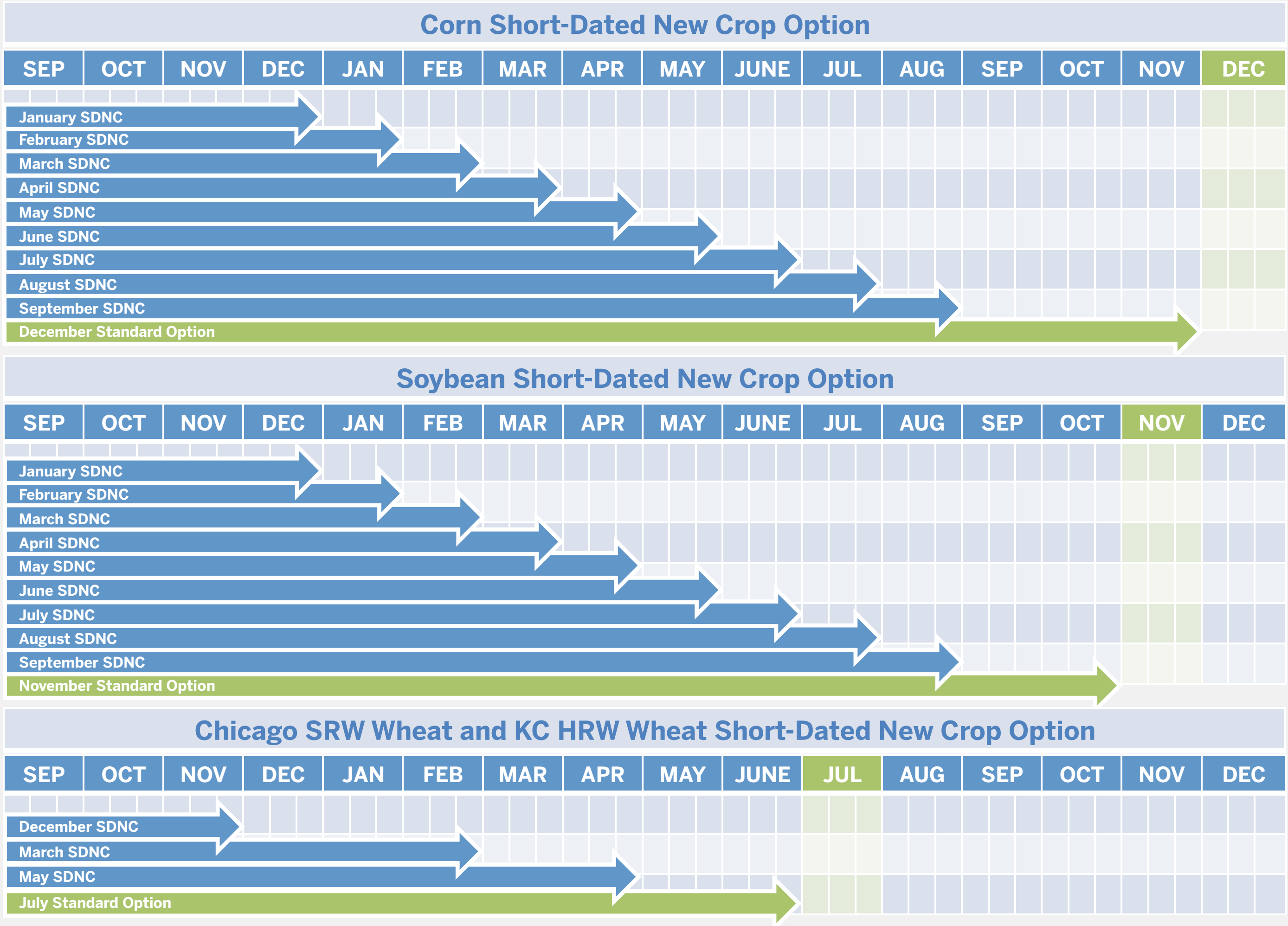
Listed Contract Months

Short-Dated New Crop Option	Underlying Futures Contract	Listed Contract Months
Corn	December	January through September
Soybeans	November	January through September
Chicago SRW Wheat	July	December, March, May
KC HRW Wheat	July	December, March, May

Benefits

- Premiums will typically be lower than the standard new crop options because of reduced time value.
- Hedgers can use these options to manage risk during specific windows of the growing season at reduced costs.
- Grain elevators can use them to offer lower-cost minimum price contracts to producers.
- They offer new opportunities to trade high-impact events on new crop contracts, such as USDA reports or changes in the weather outlook.
- Producers can use March SDNC options, which expire in February, to acquire downside protection ahead of the February crop insurance number.
- They allow arbitrage opportunities with Calendar Spread Options (CSOs), as well as standard, serial and Weekly Agricultural options.

Listing Cycle



Cost-Effective Protection with Short-Dated New Crop Options

The table below illustrates a hypothetical scenario comparing standard December Corn put options with the various expirations for SDNC Corn put options. The underlying is the December Corn futures contract which is trading at $4.50. Calculations are approximate and based on premiums of at-the-money options in January of the same year.

Again, because the SDNC options have less time value than the standard options, the premiums are lower than those for the standard options, providing the hedger or trader with cost-effective exposure.

Comparing Short-Dated and Standard Options on December Corn

	Sample of Short-Dated New Crop Options Expirations				Standard Option
	March 4.50 Put Option	May 4.50 Put Option	July 4.50 Put Option	September 4.50 Put Option	December 4.50 Put Option
December Futures Prices	$4.50	$4.50	$4.50	$4.50	$4.50
Approximate At-the-Money Option Premium	9 cents	15 cents	23½ cents	31½ cents	37 cents
Approximate Protection Period Expiration Date	35 Days 2/21/2014	98 Days 4/25/2014	154 Days 6/20/2014	217 Days 8/22/2014	308 Days 11/21/2014

Short-Dated New Crop Options

	Corn	Soybean	Chicago SRW Wheat	KC HRW Wheat
Underlying Contract	The December Corn futures contract (5,000 bushels) nearest to the option expiration	The November Soybean futures contract (5,000 bushels) nearest to the option expiration	The July Chicago SRW Wheat futures contract (5,000 bushels) nearest to the option expiration	The July KC HRW Wheat futures contract (5,000 bushels) nearest to the option expiration
Strike Price Interval	Five (5) cents per bushel. More details on strike price intervals are outlined in Rule 10A01.E.	Ten (10) cents per bushel. More details on strike price intervals are outlined in Rule 11A01.E.	Five (5) cents per bushel. More details on strike price intervals are outlined in Rule 14A01.E.	Five (5) cents per bushel. More details on strike price intervals are outlined in Rule 2511.01
Ticker Symbols	CME Globex: OCD Open Outcry: CDF	CME Globex: OSD Open Outcry: SDF	CME Globex – OWD Open Outcry – WDF	CME Globex – KWE Open Outcry – KWO
Tick Size	1/8 of one cent per bushel ($6.25 per contract)			
Daily Price Limits	No daily price limits			
Contract Months	January through September, listed for two years out. A new listing cycle will begin on the first trading day following the expiration of the next standard September option.		December, March and May, listed for two years out. A new listing cycle will begin on the first trading day following the expiration of the next standard September option.	
Last Trade Date	The last Friday which precedes by at least two business days, the last business day of the month preceding the option month.			
Exercise	The buyer of a futures option may exercise the option on any business day prior to expiration by giving notice to CME Clearing by 6:00 p.m. Chicago time. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading are automatically exercised.			
Expiration	Unexercised Short-Dated New Crop options shall expire at 7:00 p.m. on the last day of trading.			
Trading Hours (All Times are Central/CT)	CME Globex	Sunday to Friday, 7:00 p.m. to 7:45 a.m. CT and Monday to Friday, 8:30 a.m. to 1:15 p.m. CT		
	Open Outcry	Monday to Friday, 8:30 a.m. to 1:15 p.m. CT		
Exchange Rule	Short-Dated New Crop Corn, Soybeans, KC HRW Wheat and Chicago SRW Wheat options are listed with and subject to the rules and regulations of CBOT.			

To learn more about Short-Dated New Crop options, visit **cmegroup.com/sdnc**

For more information on Grain and Oilseed futures and options, visit **cmegroup.com/agriculture**

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