

# Grain Calendar Spread Options Benefits and Examples

# Grain Calendar Spread Options (CSOs)

**CSOs on Corn, Wheat, Soybeans, Soybean Oil and Soybean Meal offer:**

- **Customization**  
Precise hedges geared to your exposure to temporal risk
- **Opportunities**  
Protection against adverse spread moves along with access to favorable spread changes
- **Choice of venue**  
Trading floor or CME Globex electronic platform
- **Liquidity**  
Dedicated and active market makers on the trading floor and on CME Globex
- **Security**  
Centralized clearing and guaranteed counterparty credit

# Trade Example

## SN9: SX9

A market participant who bought an **ATM Calendar Spread Put option** at step 1 and held until step 2 would have realized an appreciation in the intrinsic value of the option of \$1.20 less whatever time decay the option experienced between steps 1 and 2.

Similarly, if the participant purchased an **ATM Calendar Spread Call option** at step 2 that option would have realized a \$1.15 increase in the intrinsic value by step 3.



# Trade Example

## CN9:CZ9

The 2009 old crop/new crop spread in Corn moved from an inverse back to a carry with tremendous speed, demonstrating the potential utility for owning a **Calendar Spread Put Option**.



# Trade Example

## WZ9:WN10

Old crop/new crop spreads agricultural commodities can experience volatile moves over time, as demonstrated by the December 2009 – July 2010 Wheat Futures Calendar Spread.

Depending on timing and nearby versus deferred global crop concerns the spread can oscillate between a carry and an inverse. This example demonstrates the various entry and exit points where owning the protection of a **Calendar Spread Option** would help to alleviate some of the risk in managing these spreads.



# Additional Information

Visit [www.cmegroup.com/cso](http://www.cmegroup.com/cso) to view:

- Contract Specifications
- Rulebook Chapters
- An Introduction to Grain Calendar Spread Options

## Contact Information:

### Chicago Office

**Susan Sutherland, Associate Director**

CME Group Products and Services

312-930-2325

[Susan.sutherland@cmegroup.com](mailto:Susan.sutherland@cmegroup.com)

### Chicago Office

**Brenda Tucker, Associate Director**

CME Group Products and Services

312-930-8304

[Brenda.tucker@cmegroup.com](mailto:Brenda.tucker@cmegroup.com)

### London Office

**Jeffry Kuijpers, Associate Director**

Commodity/Alt. Investment Products

011 (44) 207-796-7108,

[jeffry.kuijpers@cmegroup.com](mailto:jeffry.kuijpers@cmegroup.com)

### Singapore Office

**Nelson Low, Director**

Commodity Products Asia

11-656-550-9621

[nelson.low@cmegroup.com](mailto:nelson.low@cmegroup.com)

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