Livestock Calendar Spread Options Benefits and Examples

Livestock Calendar Spread Options (CSOs)

CSOs on Live Cattle and Lean hogs 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**
  Continuous live bid/offer quotes streamed by dedicated market markers on CME Globex
- **Security**
  Centralized clearing and guaranteed counterparty credit

Options on Live Cattle Futures Calendar Spreads

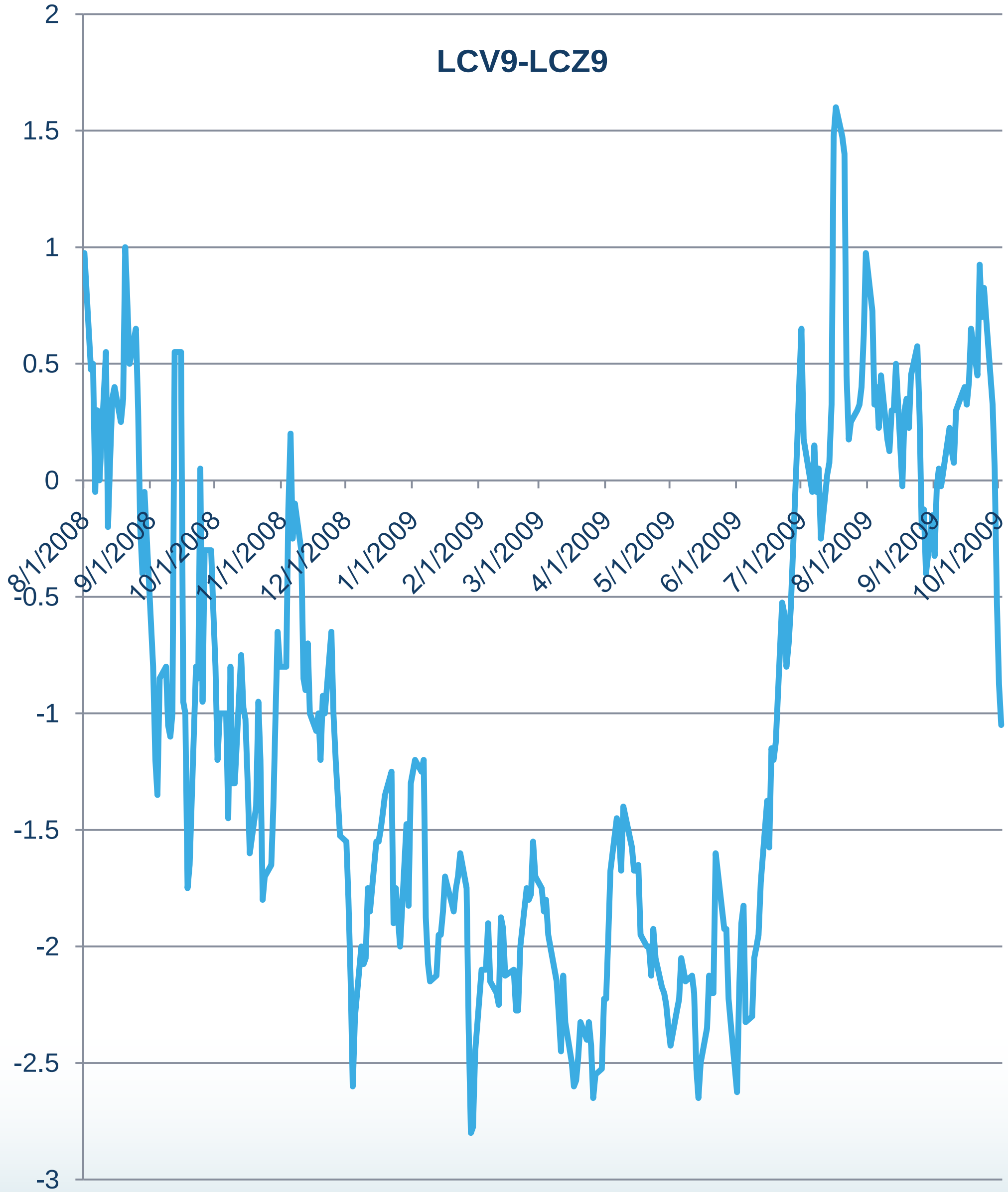
Trading unit	Call-long 1 nearer future and short 1 deferred future Put-short 1 nearer future and long 1 deferred future
Price basis	Nearer futures price minus deferred futures price
Minimum tick	$.00025 per pound (lb)
Price Limit	none
Strike intervals	1/4 cent-lb for first 2 months, 1/2 cent-lb for other months
Initial strike range	6 cents-lb above and below previous settlement
Last trade date	Same as standard nearby option (1st Friday of contract month)
Position limits	Aggregated with standard options on a futures delta-equivalent basis
Reportable Level	25 contracts
Exercise	European style
Trading Hours	Same as standard options
Trading Venue	Electronic and open outcry
Contract months- Listing cycle	All consecutive and non-consecutive combinations for the first 4 listed futures contract months (6 calls,6 puts)

Options on Lean Hog Futures Calendar Spreads

Trading unit	Call-long 1 nearer future and short 1 deferred future Put-short 1 nearer future and long 1 deferred future
Price basis	Nearer futures price minus deferred futures price
Minimum tick	$.00025 per pound
Price Limit	none
Strike intervals	1/2 cent-lb for first 2 months, 1 cent-lb for other months
Initial strike range	12 cents per pound above and below previous settlement for 1 cent intervals (6 cents for ½ cent intervals)
Last trade date	Business day prior to expiration of standard nearby option/future
Position limits	Aggregated with standard options on a futures delta-equivalent basis
Reportable Level	25 contracts
Exercise	European
Trading Hours	Same as standard options
Trading Venue	Electronic and open outcry
Contract months- Listing cycle	All consecutive and non-consecutive combinations for the first 5 listed futures contract months (10 calls, 10 puts)

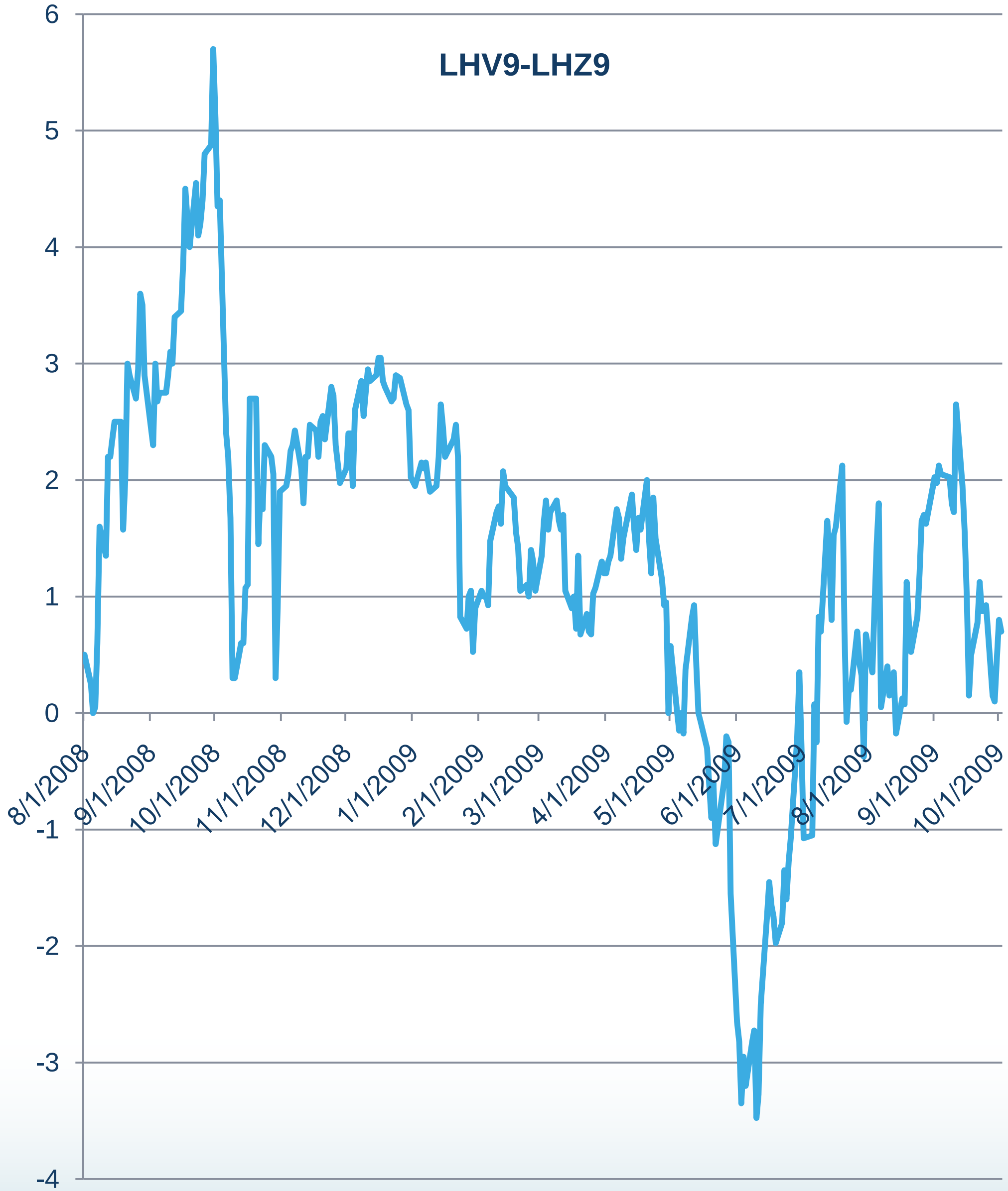
October Live Cattle v. December Live Cattle

The 2009 October versus December futures spread in Live Cattle moved from a negative difference to a positive difference with tremendous speed during the summer of 2009, demonstrating the potential utility for owning a **Calendar Spread Call Option**.



October Lean Hogs v. December Lean Hogs

The 2009 October versus December futures spread in Lean Hogs moved from a positive difference to a negative difference and then back to a positive difference, all in the space of a few months during the early summer of 2009. Owning the protection of a **Calendar Spread Call Option and/or a Calendar Spread Put Option** would help to alleviate some of the risk in managing these spreads.



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Additional Information

Visit www.cmegroup.com/livestockcso to view:

- Contract Specifications
- Rulebook Chapters
- An Introduction to Live Cattle and Lean Hog Calendar Spread Options

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Disclaimer

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

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