



# MGEX-CBOT Wheat Spread Options

An efficient way to trade the protein spread.

## Overview

MGEX-CBOT Wheat Spread options are based on the spread between Hard Red Spring Wheat futures listed on the Minneapolis Grain Exchange (MGEX) and the Soft Red Winter Wheat futures listed on the Chicago Board of Trade (CBOT). For years, market participants have spread MGEX Wheat futures against CBOT Wheat futures to capitalize on price differentials inherent between the classes of wheat, primarily due to the varying levels of protein content. MGEX-CBOT Wheat Spread options provide the unique ability to execute this inter-exchange spread in a single trade, and by posting one margin at a single clearing house. By removing the need to “leg” into the spread positions, MGEX-CBOT Wheat spread options reduce the risk of slippage in spread execution.

MGEX-CBOT Wheat Spread options also present the opportunity to trade on other variations in the two underlying Wheat contracts. In addition to protein content, these options can be used to take advantage of differences in supply and demand fundamentals between the two wheat classes. And, since both MGEX and CBOT Wheat futures are listed on the CME Globex electronic trading platform, MGEX-CBOT Wheat Spread options offer potential arbitrage opportunities as well.

## The Long and Short of the MGEX-CBOT Wheat Spread

With the MGEX-CBOT Wheat futures spread, being long or short the spread indicates your position in the MGEX Wheat futures contract. When long the spread, you are long MGEX and short CBOT Wheat futures, and expect the spread to widen (i.e., the MGEX Wheat price will gain relative to the CBOT Wheat price. When you are short the spread, you are short MGEX and long CBOT in anticipation that the spread will narrow (i.e., the MGEX Wheat price will decrease relative to the CBOT Wheat price.)

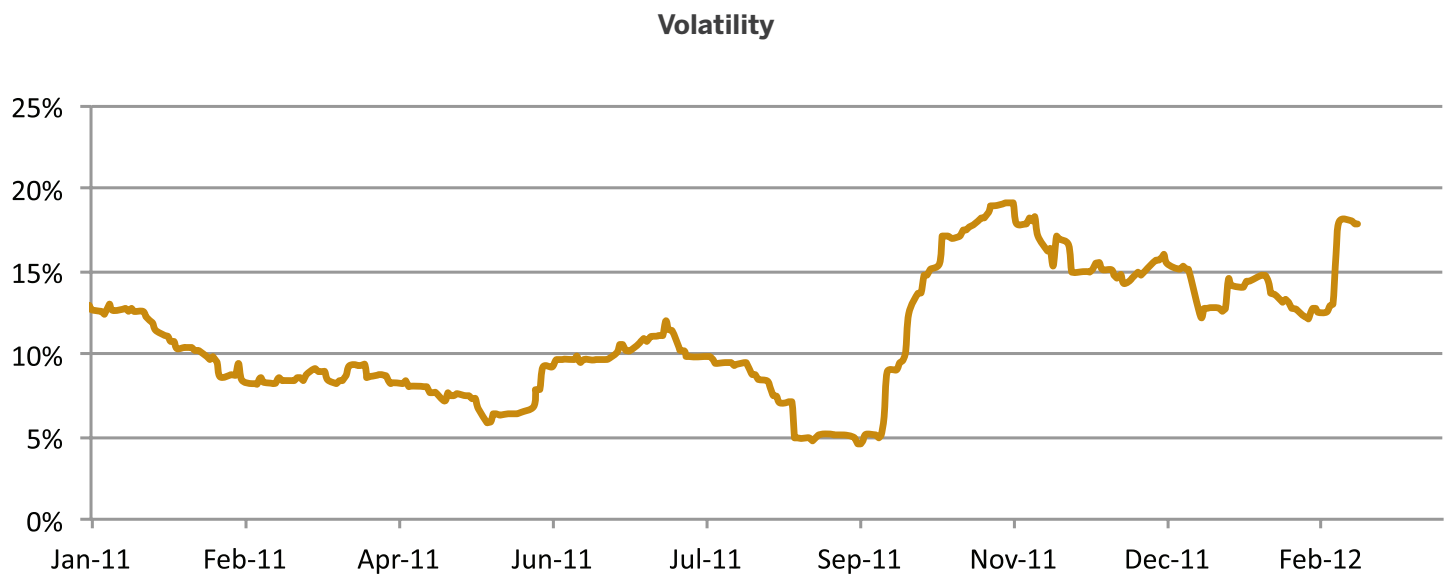
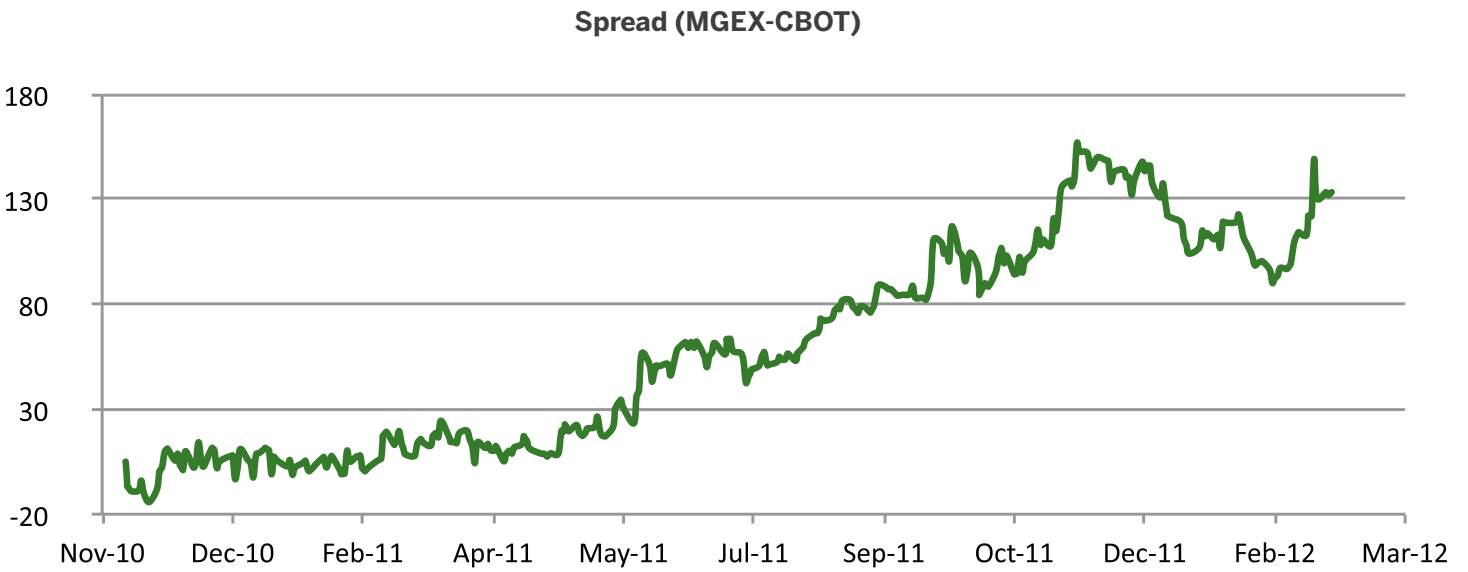
## Features

- The price spread is defined as the MGEX Wheat futures price minus the CBOT Wheat futures price
- Three listed MGEX-CBOT Wheat Spread options:
  - MGEX July – CBOT July
  - MGEX September – CBOT July
  - MGEX December – CBOT December
- Trades both on CME Globex and via open outcry on the trading floor
- European style exercise: option can only be exercised on the last trading day
- Cash-settlement

With MGEX-CBOT Wheat Spread options, the positions are similar. For example:

| If you:     | you have:                          | and may expect the spread to: | because you feel the MGEX Wheat price will: |
|-------------|------------------------------------|-------------------------------|---------------------------------------------|
| Buy a Call  | The right to go long the spread    | Widen                         | Gain relative to CBOT Wheat                 |
| Sell a Call | The obligation to short the spread | Narrow                        | Decrease relative to CBOT Wheat             |
| Buy a Put   | The right to short the spread      | Narrow                        | Decrease relative to CBOT Wheat             |
| Sell a Put  | The obligation to long the spread  | Widen                         | Gain relative to CBOT Wheat                 |

MGEX September – CBOT July Wheat Spread  
July 2009 to February 2012



## Contract Specifications

| MGEX-CBOT Wheat Spread Options |                                                                                                                                                                                                                                                                                 |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Trading Unit</b>            | One MGEX-CBOT Wheat Intercommodity spread option reflects the spread between one MGEX Wheat futures contract of a specified month, and one CBOT Wheat futures contract of a specified month.                                                                                    |
| <b>Price Basis</b>             | The specified MGEX Wheat futures price in cents per bushel minus the specified CBOT Wheat futures price in cents per bushel.                                                                                                                                                    |
| <b>Tick Size</b>               | 1/8 of one cent per bushel (\$6.25 per contract).                                                                                                                                                                                                                               |
| <b>Strike Price Intervals</b>  | Strike prices will be listed in increments of five cents per bushel. The minimum strike price range will include the strike price closest to the current MGEX-CBOT futures spread price, plus the next ten consecutive higher and the next ten consecutive lower strike prices. |
| <b>Contract Months</b>         | MGEX July – CBOT July<br>MGEX September – CBOT July<br>MGEX December – CBOT December                                                                                                                                                                                            |
| <b>Daily Price Limit</b>       | The sum of the trading limits for MGEX Wheat futures and CBOT Wheat futures. There shall be no price limits on the last trading day.                                                                                                                                            |
| <b>Last Trading Day</b>        | The last Friday which precedes by at least two business days, the last business day of the month preceding the nearest option month in the spread. For example, the option month for the MGEX September – CBOT July option is July.                                             |
| <b>Exercise</b>                | European-style. The buyer of an MGEX-CBOT Wheat Spread option that is in-the-money after the close on the last trade day will be cash settled to the final settlement price.                                                                                                    |
| <b>Trading Hours</b>           | <b>CME Globex:</b> 7:00 p.m. – 7:45 a.m. CT, Sunday – Friday and 8:30 a.m. – 1:15 p.m. CT, Monday – Friday<br><b>Open Outcry:</b> 8:30 a.m. – 1:15 p.m. CT, Monday – Friday                                                                                                     |
| <b>Ticker Symbols</b>          | <b>Open Outcry:</b> MCG <b>CME Globex:</b> MCW                                                                                                                                                                                                                                  |
| <b>Exchange Rule</b>           | This contract is listed with and subject to the rules and regulations of CBOT.                                                                                                                                                                                                  |

For more information, visit [cmegroup.com/wheat](http://cmegroup.com/wheat)



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*References to CME Clearing are to CME's U.S. Clearinghouse.*

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