

## AGRICULTURAL PRODUCTS

# Grain And Oilseed Calendar Spread Options

## Manage Futures Spread Risk With Greater Precision And Efficiency

### Overview

Calendar Spread Options (CSOs) are options on the price differential between two delivery months of the same futures contract. The price differential is defined as a specified nearby futures month price minus a specified deferred futures month price.

CSOs allow market participants to trade calendar spreads with a single transaction, rather than buying and selling individual options in separate delivery months. They provide hedgers with an effective tool for hedging inventory risks or carrying charges arising from declining spreads, and offer traders an efficient way to take views on price spreads between different delivery months.

A strategy that simply combines standard options from two different calendar months is sensitive to fluctuations in futures prices of those two months. Because CSOs are sensitive only to the value and volatility of the spread itself, rather than the price of the underlying commodity, these options tend to be less expensive, providing a more cost-effective risk management and trading alternative.

### Contracts

Corn, Chicago Soft Red Winter (SRW) Wheat, KC Hard Red Winter (HRW) Wheat, Soybean, Soybean Oil and Soybean Meal CSOs trade via open outcry and on the CME Globex electronic platform. All CSO contracts follow a "European-style" exercise model, meaning that buyers may exercise the option only on the expiration date itself.



# CALENDAR SPREAD OPTIONS

CONTRACT SPECIFICATIONS	
	Corn, Soybeans, Chicago SRW Wheat, KC HRW Wheat
<b>Contract Size</b>	One long futures contract (of a specified month) consisting of 5,000 bushels, and one short futures contract (of a differing specified month) consisting of 5,000 bushels.
<b>Tick Size (minimum fluctuation)</b>	1/8 of one cent per bushel (\$6.25 per contract)
<b>Price Basis</b>	The price basis shall be defined as the specified nearby futures contract month price minus the specified deferred futures contract month price.
<b>Strike Price Intervals</b>	Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and the next available futures month (consecutive spreads) with strike prices in integral multiples of one cent per bushel. Trading shall be conducted for put and call options on futures calendar spreads consisting of the nearby futures month and a futures month beyond the next available futures month with strike prices in integral multiples of five cents per bushel. More details on strike price intervals are outlined in Rules 10J01.E, 11E01.E, 14D01.E and 14M01E for Corn, Soybeans, Chicago SRW Wheat and KC HRW Wheat, respectively.
<b>Contract Months</b>	<p><b>Corn</b> The nearby five consecutive futures calendar spreads and the following longer-dated calendar spreads: Mar-July, Mar-Dec, July-Dec, Dec-July and Dec-Dec (1 year).</p> <p><b>Chicago SRW Wheat and KC HRW Wheat</b> The nearby five consecutive futures calendar spreads and the following longer-dated calendar spreads: Mar-July, Dec-July, July-Dec, July-July (1 year) and Dec-Dec (1 year).</p> <p><b>Soybean</b> The nearby seven consecutive futures calendar spreads and the following longer-dated calendar spreads: Jan-May, Mar-July, Mar-Nov, May-Nov, July-Nov, Aug-Nov, Nov-Mar, Nov-July, July-July (1 year), Nov-Nov (1 year), Jan-Mar (different calendar years).</p>
<b>Daily Price Limit</b>	There are no daily price limits.
<b>Last Trade Date</b>	The last Friday preceding the first notice day of the corresponding nearby futures contract month by at least two business days.
<b>Exercise</b>	Exercise is European-style. The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the CME Clearing by 6:00 p.m. CT. Option exercise results in two underlying futures market positions. Options in-the-money on the last day of trading is automatically exercised.
<b>Trading Hours (all times in CT)</b>	<p><b>CME Globex (electronic platform):</b> 7:00 p.m. – 7:45 a.m. CT, Sunday – Friday, and 8:30 a.m. – 1:15 p.m. CT, Monday – Friday.</p> <p><b>Open Outcry:</b> 8:30 a.m. – 1:15 p.m. CT, Monday – Friday.</p>

Soybean Meal	Soybean Oil
One long Soybean Meal futures contract (of a specified month) consisting of 100 short tons, and one short Soybean Meal futures contract (of a differing specified month) consisting of 100 short tons.	One long Soybean Oil futures contract (of a specified month) consisting of 60,000 pounds, and one short Soybean Oil futures contract (of a differing specified month) consisting of 60,000 pounds.
5 cents per short ton (\$5.00 per contract)	5/1000 of one cent (\$.00005) per pound (\$3.00 per contract)
The price basis shall be defined as the specified nearby Soybean Meal futures contract month price minus the specified deferred Soybean Meal futures contract month price.	The price basis shall be defined as the specified nearby Soybean Oil futures contract month price minus the specified deferred Soybean Oil futures contract month price.
Trading shall be conducted for put and call options with striking prices in integral multiples of fifty (50) cents per short ton. More details on strike price intervals are outlined in Rule 13B01.E.	Trading shall be conducted for put and call options with striking prices in integral multiples of five one-hundredths of one cent (\$.0005). More details on strike price intervals are outlined in Rule 12B01.E.
<p><b>Soybean Meal</b> The nearby eight consecutive futures calendar spreads and the following longer dated calendar spreads: Dec-July, July-Dec, Aug-Dec, Sep-Dec.</p>	<p><b>Soybean Oil</b> The nearby eight consecutive futures calendar spreads and the following longer dated calendar spreads: Dec-July, July-Dec, Aug-Dec, Sep-Dec.</p>
There are no daily price limits.	There are no daily price limits.
The last Friday preceding the first notice day of the corresponding nearby Soybean Meal futures contract month by at least two business days.	The last Friday preceding the first notice day of the corresponding nearby Soybean Oil futures contract month by at least two business days.
Exercise is European-style. The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the CME Clearing by 6:00 p.m. CT. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading is automatically exercised.	Exercise is European-style. The buyer of a futures calendar spread option may exercise the option only upon expiration by giving notice to the CME Clearing by 6:00 p.m. CT. Option exercise results in an underlying futures market position. Options in-the-money on the last day of trading is automatically exercised.
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## Trade Entry

To enter a trade for a CSO, enter the first three letters of the appropriate code (CZC in the case of a consecutive Corn CSO on CME Globex) followed by the front month code. For example, to enter a September 2014 – December 2014 corn spread the entry will look like:

**CZCU4**, followed by whether it is a put or a call.

Similarly, the longer dated spreads will reference the front month. For example, to enter a December 2014 – July 2015 Chicago SRW Wheat CSO on CME Globex the entry will look like:

**WC6Z4**, followed by whether it is a put or a call.

For more information on Calendar Spread Options and other grain spread options, visit [cmegroup.com/cso](http://cmegroup.com/cso).

CONTRACT SYMBOLS			
Product		CME Globex Code	PIT / PRS / Clearing Code
Corn CSO	Consecutive	CZC	PYC
	MAR-JULY	CZ7	7CC
	MAR-DEC	CZ9	3CC
	JULY-DEC	CZ6	CC6
	DEC-JULY	CZ8	8CC
	DEC-DEC	12C	CCZ
Chicago SRW Wheat CSO	Consecutive	CZW	WZC
	MAR-JULY	WC3	CW3
	DEC-JULY	WC6	CW6
	JULY-DEC	WCM	CWM
	JULY-JULY	12W	CWN
	DEC-DEC	CWZ	WCZ
KC HRW Wheat CSO	Consecutive	KZC	K7C
	MAR-JULY KC	CK3	KC3
	DEC-JULY KC	KC6	CK6
	JULY-DEC KC	KCR	CKM
	JULY-JULY KC	12K	CKN
	DEC-DEC KC	CKZ	KCZ
Soybean CSO	Consecutive	CZS	ZSC
	JAN-MAY	SZK	KSC
	MAR-JUL	SZH	KSH
	MAR-NOV	SZ0	SC0
	MAY-NOV	SC7	C7S
	JULY-NOV	SZ5	SC5
	AUG-NOV	SZ4	SC4
	NOV-MAR	SZ3	SC3
	NOV-JULY	SZ9	SX9
	JULY-JULY	SZ1	SC1
	NOV-NOV	12S	SCX
JAN-MAR	SZ8	S8C	
Soybean Meal CSO	Consecutive	CZM	MYC
	DEC-JULY	MC3	SM3
	JULY-DEC	MC6	SM6
	AUG-DEC	NC4	OC4
	SEP-DEC	MC5	SM5
Soybean Oil CSO	Consecutive	CZL	COY
	DEC-JULY	NC3	OC3
	JULY-DEC	OC6	CO6
	AUG-DEC	MC4	SM4
	SEP-DEC	NC5	OC5

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All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT, and NYMEX rules. Current rules should be consulted in all cases concerning contract specifications.

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.