

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 the new crop future contract. 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 the 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.

LISTED CONTRACT MONTHS

SHORT-DATED NEW CROP OPTION	UNDERLYING FUTURES CONTRACT	LISTED CONTRACT MONTHS
CORN	December	October through September
SOYBEANS	November	October through September
CHICAGO SRW WHEAT	July	December, March, May
SOYBEAN MEAL	December	January, March, May, July, September, October
SOYBEAN OIL	December	January, March, May, July, September, October
KC HRW WHEAT	July	December, March, 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.

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.

SHORT-DATED NEW CROP OPTIONS

	CORN	SOYBEAN	CHICAGO SRW WHEAT	KC HRW WHEAT	SOYBEAN MEAL	SOYBEAN OIL
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	The December Soybean Meal futures contract (100 Short Tons) nearest to the option expiration	The December Soybean Oil futures contract (60,000 lbs) 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	\$5 per short ton. More details on strike price intervals are outlined in Rule 13A01.E.	1/2 cent per pound. More details on strike price intervals are outlined in Rule 12A01.E.
TICKER SYMBOLS	CME Globex: OCD	CME Globex: OSD	CME Globex: OWD	CME Globex: KWE	CME Globex: OMD	CME Globex: OLD
TICK SIZE	1/8 of one cent per bushel (\$6.25 per contract)				5 cents per short ton (\$5 per contract)	5/1000 of a cent (\$0.00005) per pound (\$3.00 per contract)
DAILY PRICE LIMITS	No daily price limits					
CONTRACT MONTHS	October 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.		January (F), March (H), May (K), July (N), September (U), and October (V). A new listing cycle will begin on the first trading day following the expiration of the next October standard 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 1:20 p.m. CT					
EXCHANGE RULE	Short-Dated New Crop Corn, Soybeans, Soybean Meal, Soybean Oil, KC HRW Wheat and Chicago SRW Wheat options are listed with and subject to the rules and regulations of CBOT.					

Cost-Effective Protection with Short-Dated New Crop Options

This table 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	23-½ cents	31-½ cents	37 cents
APPROXIMATE PROTECTION PERIOD EXPIRATION DATE	35 Days February 21	98 Days April 25	154 Days June 20	217 Days August 22	308 Days November 21

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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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.