

Pork Cutout Futures and Options FAQ

What is launching?

CME Group will launch Pork Cutout futures and options contracts that will financially settle to the CME Pork Cutout Index.

What is the launch date?

The first trade date will be November 9, 2020.

How is this different from the existing Lean Hog contract?

While the Lean Hog Index reflects the prices paid for hogs in the United States, the Pork Cutout Index reflects the prices paid for pork. A "cutout" is the approximate value of a hog calculated using the prices paid for wholesale cuts of pork. The values, or cuts, used to calculate the pork cutout include the loin, butt, picnic, rib, ham, and belly.

Why are you launching this contract?

Since 2015, an increasing number of formula hog purchase agreements have come to include the pork cutout as a base price. Prior to that, most transactions only referenced the negotiated hog price as the base price of a formula. Customer feedback indicated that Pork Cutout futures and options would provide a valuable additional risk management tool for the ever-evolving hog and pork industry.

How is the final settlement price of the contract calculated?

All contracts open as of the termination of trading shall be cash-settled based upon the [CME Pork Cutout Index®](#) for the five-day period ending on the day on which trading terminates. The termination of trading is on the 10th business day of the contract month at 12:00 p.m. CT.

How does cme group settle the futures on a daily basis?

CME Group will provide daily settlement prices for listed Pork Cutout futures months with open interest. The settlements will be determined using CME Livestock Futures [settlement procedures](#).

Are there price limits?

Yes, there are price limits on CME Globex. The price limits will be \$0.045 expanded to \$0.0675 upon launch and will follow the same annual price limit methodology as CME Lean Hog products.

What are the position limits?

Pork Cutout futures will have spot month position limits of 350 contracts net long or short as of the close of trading on the fifth business day of the contract month. Single month position limits will be 1,000 contracts net long or short and a reportable level of 25 contracts.

What is the listing cycle?

Upon launch, initial listing months are DEC20, FEB21, APR21, MAY21, JUN21, JUL21, AUG21, OCT21, DEC21, FEB22, APR22, & MAY22. Then listing cycle will follow [Lean Hog](#) contract listing cycle.

I am a bona fide hedger and need to exceed position limits. Can I apply for a hedge exemption?

Yes, you can apply for a hedge exemption. Market participants may be eligible to receive an exemption from position limits in accordance with Rule 559 based on having bona fide hedging positions (as defined by CFTC Regulation 1.3(z), 17 CFR 1.3(z)), risk management positions and/or arbitrage and spread positions.

Visit cmegroup.com/pork-cutout for more information about the Pork Cutout futures and options.

About CME Group

As the world's leading and most diverse derivatives marketplace, CME Group is where the world comes to manage risk. Comprised of four exchanges – CME, CBOT, NYMEX and COMEX – we offer the widest range of global benchmark products across all major asset classes, helping businesses everywhere mitigate the myriad of risks they face in today's uncertain global economy.

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