

EDUCATION SERIES

Using Options to Hedge Commodity Price Risk

Professional traders and commercial market participants regularly use commodity options to generate profits and reduce their exposure to risk. CME Group invites you to attend any or all of the 14 free educational seminars to get you started using Grain, Oilseed and Livestock options in the very same way.

The series begins with six online sessions which have been designed to assist traders of all levels prepare for a two day in-depth exploration of the tools and methods used to trade options on CME Group Commodity products. The second part of the series covers two complete days and presents an in-depth exploration of the tools and methods used to trade options on CME Group Commodity products. You can attend this intermediate level, two-day session either online or in-person.

All events are compliments of CME Group and all sessions will be archived for those who are unable to attend the live event.

Thursday, Aug. 7, 2008 **Overview of Cash Markets**

ONLINE ONLY

2:00 – 3:00 p.m. CT

[Overview of Cash Grain Markets \(Sue Goll, Independent Agricultural Consultant\)](#)

This session reviews basis, cash contracts, transportation/delivery, market fundamentals and government reports in the domestic and international grain markets.

3:00 – 4:00 p.m. CT

[Overview of Cash Livestock Markets \(Steve R. Meyer, Ph.D., Paragon Economics, Inc.\)](#)

This session reviews basis, cash contracts, transportation/delivery, market fundamentals and government reports in the domestic and international livestock markets.

Monday, Aug. 11, 2008 **Introduction to Options**

ONLINE ONLY

2:00 – 3:00 p.m. CT

[Introduction to Grain, Oilseed and Livestock Options \(Sue Goll\)](#)

This session covers basic terminology, concepts and specs (buy a call, sell a put, premium, etc.) and mechanics of exercise, offset and expire.

Tuesday, Aug. 12, 2008 **Commercial Hedgers and Options**

ONLINE ONLY

2:00 – 3:00 p.m. CT

[The Buy Side with a Focus on Grains and Oilseeds \(Sue Goll\)](#)

This session focuses on the buy side of Grain and Oilseed options – includes long futures, long calls, short puts and a long call/short put combo. It also looks at a comparison of all strategies.

3:00 – 4:00 p.m. CT

[The Sell Side with a Focus on Livestock \(Chip Whalen, Commodity Ingredients and Hedging, LLC\)](#)

This session focuses on the sell side of Livestock options – includes short futures, long puts, short calls and a long put/short call combo. It also looks at a comparison of all strategies.

Continued on back

Wednesday, Aug. 13, 2008
ONLINE ONLY

2:00 – 3:00 p.m. CT

How Speculators Use Options

How Speculators Use Grain, Oilseed and Livestock Options (Sue Goll)

This session presents practical information on using long futures, short futures, long calls, short puts, strangles and straddles.

Thursday, Aug. 14, 2008
IN-PERSON AND ONLINE

8:30 a.m. CT

Registration*

9:00 – 10:30 a.m. CT

Option Price Behavior and Choosing Strike Prices

(Peter Lusk, The Options Industry Council and Jim Bittman, The Options Industry Council)

An understanding of how option prices change makes it possible to select “the right strike price” for a given forecast. This session focuses on the impact of changes in futures price, time decay, capital management and the differences in thinking used by commercials and traders.

10:45 – 12:15 p.m. CT

Option Price Behavior 2 – The Greeks (Peter Lusk and Jim Bittman)

Realistic expectations about using and interpreting delta, gamma, theta and vega are essential to using options effectively.

12:15 – 1:00 p.m. CT

Lunch Served*

1:00 – 2:30 p.m. CT

Volatility – What Traders Need to Know (Peter Lusk and Jim Bittman)

Volatility is the most-used and least-understood word in options. This session presents practical definitions and examples of historical and implied volatility and how to calculate the expected range of futures prices from the current level of volatility.

2:45 – 4:15 p.m. CT

Vertical Spreads and Ratio Spreads (Peter Lusk and Jim Bittman)

Options give traders options – more strategy alternatives. Option spread strategies have unique characteristics and are appropriate only in specific situations.

Friday, Aug. 15, 2008
IN-PERSON AND ONLINE

9:15 – 10:45 a.m. CT

Complex Spreads 1 – Iron Condors and Butterflies (Peter Lusk and Jim Bittman)

Selling option premium with limited risk has its own challenges – selecting the appropriate time period, choosing strike prices and managing positions when the market moves more than expected.

11:00 – 12:30 p.m. CT

Complex Spreads 2 – Straddles, Strangles and Back Spreads (Peter Lusk and Jim Bittman)

There are many ways to take advantage of “the big move,” but there are also risks. This session looks at the trade-offs of high volatility strategies.

12:30 – 1:15 p.m. CT

Lunch Served* and Electronic Options Trading Simulation

1:30 – 2:45 p.m. CT

Panel Discussion with Market Participants

Leading industry participants discuss using options in their daily business operations during this panel session.

3:00 – 4:30 p.m. CT

Cocktail Reception*

*For in-person attendees only.

Register to attend online or in-person at www.cmegroup.com/commodityoptions.

Futures and options trading are speculative and involve risk of loss. The information in these workshops is taken from sources believed to be reliable. It is intended for information and education only and is not guaranteed by CME Group as to accuracy, completeness, nor any trading result. It is not intended as investment advice, nor does CME Group endorse or support any product or service represented in the presentation. The views and opinions offered by individuals or their associated firms in these workshops are solely those of the authors, and do not necessarily represent the views of CME Group.

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