

Please see pages 2 and 3 of today's DLR for important information regarding yesterday's launch of dynamic strike price listings for livestock, dairy and forest product options at CME Group. This new listing provides more flexibility for CME Group customers to trade options at strike prices that have not previously been listed.

**USDA's weekly Crop Progress report, released Monday afternoon, indicated that corn planting progress at 94% of expected acres was roughly equal to the average expectation of 93%.** As can be seen from the chart at right, this year's planting pace has been decidedly slower than the record pace of 2010 but has not been the worst ever.

Most charts we present in DLR are pretty vertical in meaning — they display their most important information on the vertical axis. We probably should have highlighted this long ago but note that this one is different. To see its most important implication, view it horizontally. That view indicates that the bulk of this year's corn crop has been planted about 2.5 weeks later than last year but is generally only about 1 week later than the average for the past 5 years.

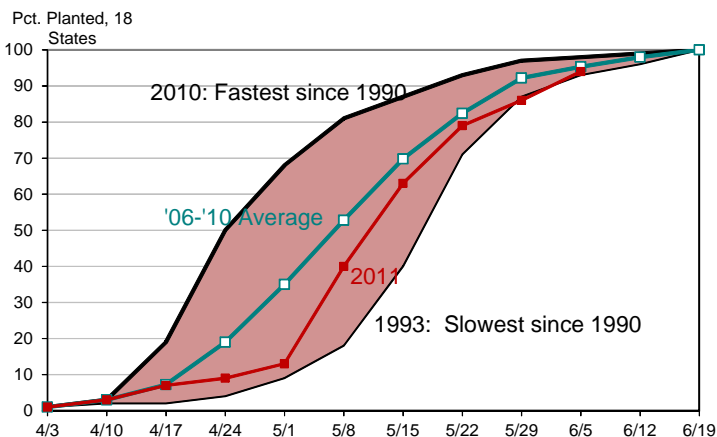
The big corn states of Iowa, Illinois and Nebraska virtually completed their corn plantings last week. Even Ohio made substantial progress last week, seeing 41% of total corn acres planted to reach 58% planted as of Sunday. Indiana gained 23% to reach 82% planted, the same level as Michigan after farmers in that state planted an additional 15% of acres last week. The belt of northern states from Wisconsin to the Dakotas also gained ground but are still 5-7% short of having all corn acres planted as of Sunday.

The trade's attention will now turn toward crop condition ratings. USDA's second week of data indicates that 67% of corn acres are rated as being in either good or excellent condition this week, up slightly from last week's 63% and 1% higher than last year's 66% as of the first week of June. Only 6% is rated as poor or very poor condition. That number is equal to last week and 1% higher than last year. It is obviously very early to begin judging this crop. The national average yield is not highly correlated to either planting progress or early-season crop condition. There are many, many days left until harvest begins and many, many factors that will determine the size of this crop.

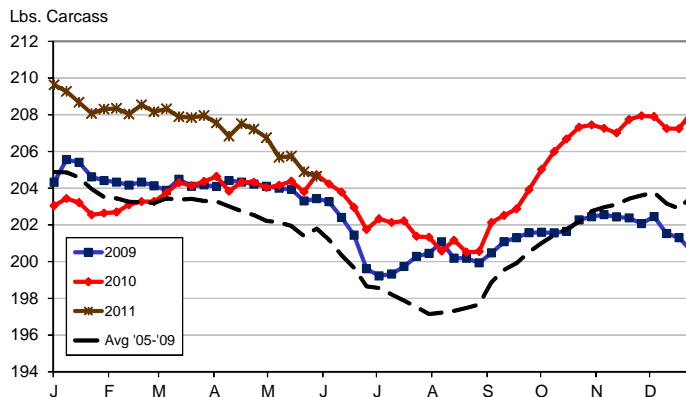
One issue to watch, though, is the situation in some states that usually are the earliest to harvest corn. Texas and the southeast are in the throes of a serious drought. 36% of Texas's corn acres are rated in poor or very poor condition as are 22% of the corn acres in North Carolina. Add in the late planting in Ohio, Indiana and Illinois whose southern counties frequently see an early harvest date and we may have little 2011-crop corn available at the tail end of the 2010-2011 crop year. With carryout stocks forecast at just 730 million bushels, that early harvest may be needed to tide us over to new crop supplies.

**In Friday's DLR we mentioned that hog weights remain 2 lbs. higher than one year ago — but that USDA data for all hogs is a bit at odds with the data for the 95-97% of barrows and gilts (the primary group of market-weight hogs) for which actual weights are reported as part of mandatory price reporting.** The weights of those animals' carcasses last week, at 204.6 lbs. dropped below year-ago levels for the first time since August 13, 2010 indicating that producers are likely to be very current in their marketings at this point. Why the difference? First, the last two observations in Friday's graph are estimates that are frequently revised when final data comes in 2 weeks later. Second, sow weights are running 3 lbs. or so higher than last year, bringing up the average for all animals relative to the average for barrows and gilts. And third, sometimes these data do not fit together well.

## CORN PLANTING PROGRESS



## SLAUGHTER WEIGHTS, MPR BARROWS & GILTS



**DRIVING FORCES BEHIND THE AG CREDIT MARKET**

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# REMINDER

## Dynamic Strike Price Listings for Livestock, Dairy and Forest Product Options Began Monday, June 6, 2011

Dynamic strike price listing provides customers with the ability to trade in a strike price that has not previously been listed. The dynamically listed strike must be in a proper strike interval and will be listed the first day on the open outcry platform, before being available the next business day on CME Globex.

***See back page for more information.***

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# Dynamic Strike Price Listings on Livestock, Dairy and Forest Product Options

*May 2011*

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Beginning Monday, June 6, 2011, dynamic strike price listing will be available for Livestock, Dairy and Forest product options on futures. Dynamic strike price listing provides customers with the ability to trade in a strike price that has not been previously listed.

## **What other agricultural option products have dynamic listing capability?**

All grain and oilseed options have dynamic listing capability. Adding this feature to Livestock, Dairy and Forest products provides our customers with the same opportunities that have been enjoyed by customers trading options on Corn, Wheat, Soybeans and Soybean by-products.

## **What restrictions are there in dynamic listings?**

A dynamically listed strike price must be in a normal strike price interval for the respective option contract month. The new strike price will be listed initially the same day in the open outcry session, and will then be available the next business day in the CME Globex session.

## **What are the steps in initiating a dynamic listing of an option?**

A trade in the desired strike price with the proper interval must be made via open outcry, and reported to a pit official in the open outcry session.

For example, assume that the existing strike price range for June live cattle call options is 150 to 100 (cents per pound), and that the proper strike price interval for June is 1 cent per pound. Dynamic listings can be made for June call options with strike prices of 151 or 152, etc., and 99 or 98, etc. A customer wants to trade a call option with a strike price of 152:

- The 152 strike call option trade is made via open outcry and reported to the pit official
  - That call strike price of 152 will be listed for trading in for the open outcry session on that same day
  - On the following business day, it will be listed for trading on CME Globex
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