

# Pork Cutout Futures and Options

In November 2020, CME Group will launch cash-settled Pork Cutout Futures and Options (ticker PRK), which will provide risk management tools for market participants looking to hedge their price exposure to pork cutout values. The new contracts will be listed on CME and has the backing of CME Clearing, mitigating counterparty risk.

## Key benefits

- A tool for producers, packers, processors, wholesalers, importers, and exporters to tailor their risk management strategy according to exposure to pork cutout values
- An opportunity to trade the spread between Pork Cutout and Lean Hogs
- Available for screen trading on CME Globex or block trading reported via CME ClearPort

## Key contract features

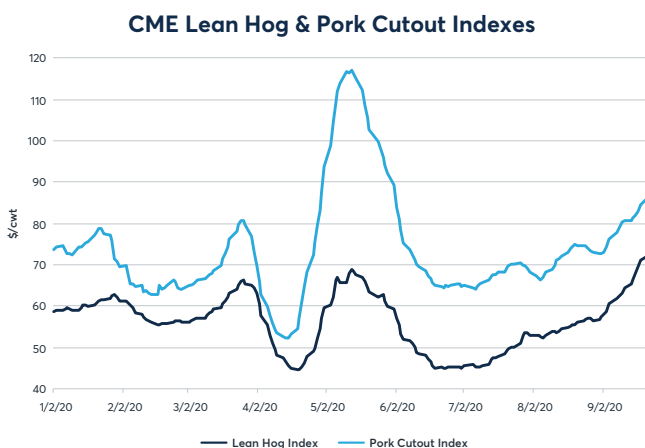
At 40,000 pounds per contract, the Pork Cutout (PRK) futures and options contracts are equivalent in size to the existing Lean Hog (HE) futures and options. PRK futures and options are traded in U.S. cents per pound, with a tick size of \$0.00025 per pound (\$10 per contract). PRK will be financially settled to the CME Pork Cutout Index. The contract months align with the Lean Hog listings and trading hours also match.

## Spread trading

Calendar spread trading and inter-commodity spread trading between Pork Cutout and Lean Hog contracts will be available on both the CME Globex Platform and via blocks on CME Clearport. Margin offsets will also be available between Pork Cutout and Lean Hog contracts.

## Pork Cutout futures and options are cleared

Pork Cutout futures and options will be centrally cleared meaning that the CME Clearing House will be the central counterparty to all trades, protecting customers from default risk. OTC and bilateral trades do not offer this level of protection from default.



Source: United States Department of Agriculture (USDA)

Visit [cmegroup.com/pork-cutout](https://cmegroup.com/pork-cutout) for more information about this product.

<b>Contract Title</b>	<b>Pork Cutout Futures</b>	<b>Options on Pork Cutout Futures</b>
<b>Contract Unit</b>	40,000 pounds	
<b>Price Quotation</b>	U.S. Cents per pound	
<b>Trading Hours</b>	CME Globex: Monday - Friday: 8:30 am - 1:05 pm CT Pre-Open: 8:00 am - 8:29.59 am & 2:30 pm - 4:00 pm TAS: Monday - Friday 8:30 am - 1:00 pm CT	
<b>Commodity Code</b>	PRK	PRK
<b>CME Rulebook Chapter</b>	156	156A
<b>Initial Listing months</b>	Dec-20, Feb-21, Apr-21, May-21, Jun-21, Jul-21, Aug-21, Oct-21, Dec-21, Feb-22, Apr-22, and May22	
<b>Minimum price increments</b>	\$0.00025 per pound (\$10 per tick)	Full Tick: \$0.00025 per pound (\$10) Half Tick: \$0.000125 per pound (\$5)
<b>Option Type</b>	-	American
<b>Strike Price listing procedures</b>	-	Strikes listed for 50% of the underlying settlement price above and below the at-the-money strike at \$0.02 per pound increments in all months and additional strikes listed for 25% of the underlying settlement price above and below the at-the-money strike at \$0.01 per pound increments in the nearest 3 months.
<b>Exercise procedure</b>	-	Any business day that the option is traded until 5:30 p.m. CT
<b>Termination of Trading</b>	Trading terminates on the 10th business day of the contract month.	
<b>Settlement Method</b>	Financially settled to the CME Pork Cutout Index.	
<b>Position Limits</b>	1,000 contracts net long or short in any single month. 350 contracts net long or short as of the close of trading on the fifth business day of the contract month.	
<b>Reportable Level</b>	25 contracts	
<b>Block Trade Minimum</b>	5 contracts	
<b>Block Trade Reporting Window</b>	5 minutes	15 minutes
<b>CME Globex matching algorithm</b>	F: First In, First Out (FIFO)	

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