

May 24, 2007

Differentiating the
MGEX Index Contracts

Minneapolis Grain

Exchange

May 24, 2007

Differentiating the MGEX Index Contracts

Hello:

The MGEX has traded hard red spring wheat futures since 1883. In 2004, it introduced five financially settled agricultural indexes that can be used alone or in conjunction with the corresponding physically delivered futures contracts. Below is a quick recap of what makes the index contracts different.

What makes the five MGEX index futures contracts (NCI, NSI, HRSI, HRWI, SRWI) different from traditional futures?

- **Financial Settlement** – When index futures and options expire they settle to a financial value, eliminating deliveries. As a result, there are **no delivery specifications, storage costs, grade differentials or load-out costs**. [Learn more.](#)
- **Simultaneous Expiration** — At the end of **each month, futures and options settle** based on a simple average of the index value for the last three trading days of that month. This means an option bought or sold for September expires at the end of September, not August like traditional options.
- **Index based, country-origin pricing** — DTN collects elevator bids daily, and in turn, calculates indexes upon which MGEX agricultural index futures and options are settled. [Learn more.](#)
- **All Calendar Months Traded** — **All months** are listed so traders can **more accurately hedge** their needs and pay options premiums for only the months needed.
- **Hedging** — MGEX index futures and options more closely track country prices because local basis is, in part, a portion of the futures contract settlement price. For hedgers, this means their **futures position will better reflect their cash position** and provide a more accurate hedge.
- **Exclusively Electronic** — MGEX agricultural indexes **trade on an electronic platform** that offers market transparency, instant execution and extended trading hours, while providing a broader market base for improved liquidity.

To learn more about the MGEX financially settled agricultural index products, go to [MGEX Index Products](#), reply to this message or call me at 612-321-7151.

Best Regards,

Joe Albrecht
Minneapolis Grain Exchange
Marketing & Sales Specialist
direct number 612.321.7151
e-mail jalbrecht@mgex.com
website <http://www.mgex.com>

MGEX
MINNEAPOLIS GRAIN EXCHANGE

www.mgex.com