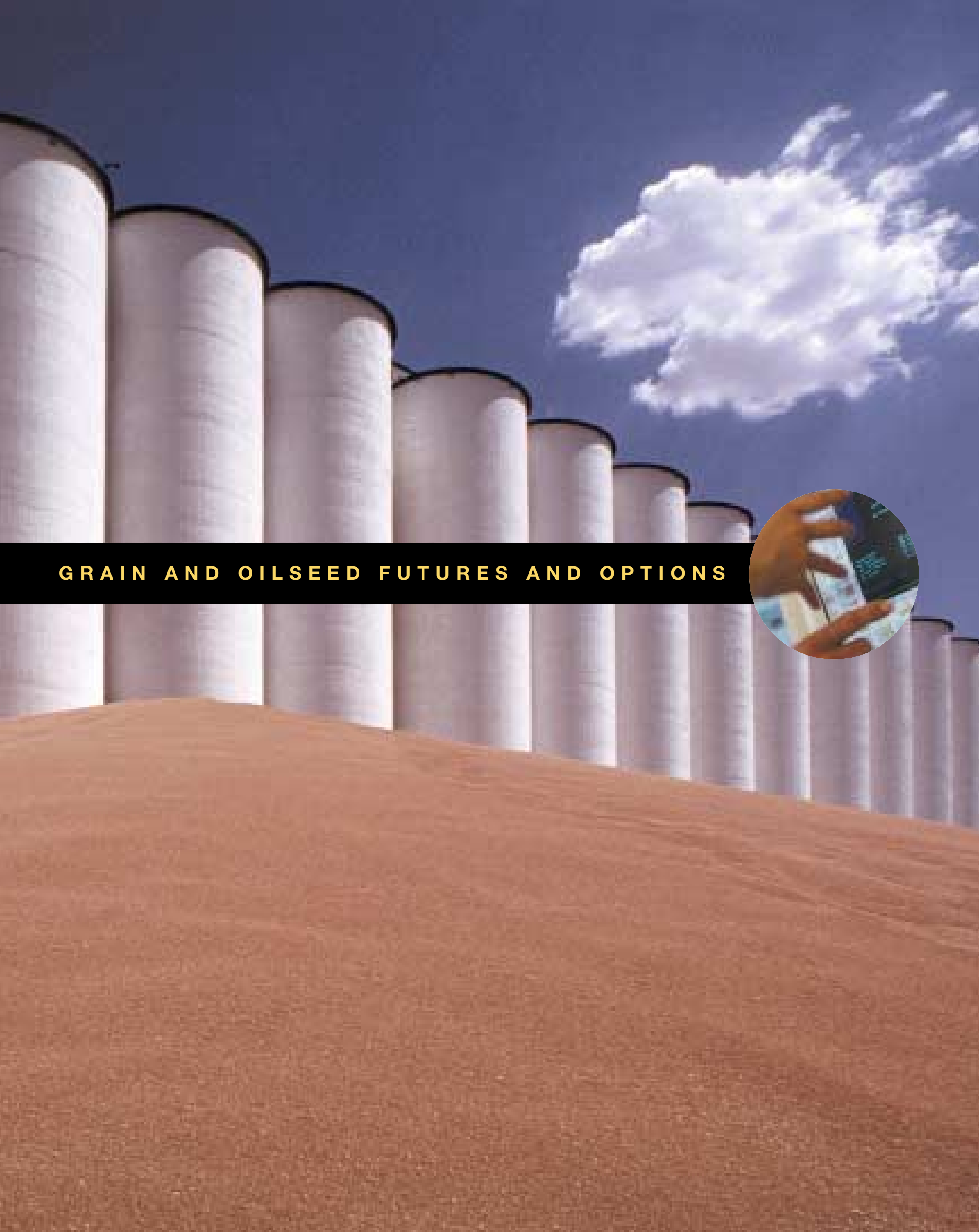


GRAIN AND OILSEED FUTURES AND OPTIONS

MGEX

MINNEAPOLIS GRAIN EXCHANGE

Now there's a new way to trade and manage price risk for MGEX agricultural index futures and options.

From pricing advantages in options, to the ability to hedge basis, to extensive spread trading opportunities, MGEX agricultural index futures and options offer significant benefits to hedgers and speculators alike.

Data Transmission Network (DTN), a leading business-to-business provider of real-time information services across multiple vertical markets, calculates the indexes upon which MGEX futures and options contracts are based. These indexes consist of hundreds of elevator bids and tend to track prices where grain is originated (the cash market) more closely than traditional contracts, which are based on delivery to a few terminal elevators. The result? MGEX index futures and options offer a myriad of new ways to trade between markets, establish synthetic basis trades and more accurately hedge positions in the country.

Trades in MGEX index futures and options are executed exclusively using the Chicago Board of Trade (CBOT®) electronic trading platform – e-cbot® powered by LIFFE CONNECT®. The contracts are still backed by the full integrity of MGEX, which has provided risk management services to producers and consumers around the world since 1881.

A NEW WAY TO TRADE

MGEX offers five agricultural index futures and options contracts: Hard Red Spring Wheat Index (HRSI), Hard Red Winter Wheat Index (HRWI), Soft Red Winter Wheat Index (SRWI), National Corn Index (NCI) and National Soybean Index (NSI).

These new contracts differ from traditional grain and oilseed futures and options in a number of ways, including:

Financial settlement, no deliveries. 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.

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.

wheat, corn and soybeans:

MGEX AGRICULTURAL INDEX FUTURES AND OPTIONS

No delivery issues.

More accurate hedges.

Options pricing advantages (see next page).

Ability to trade basis.

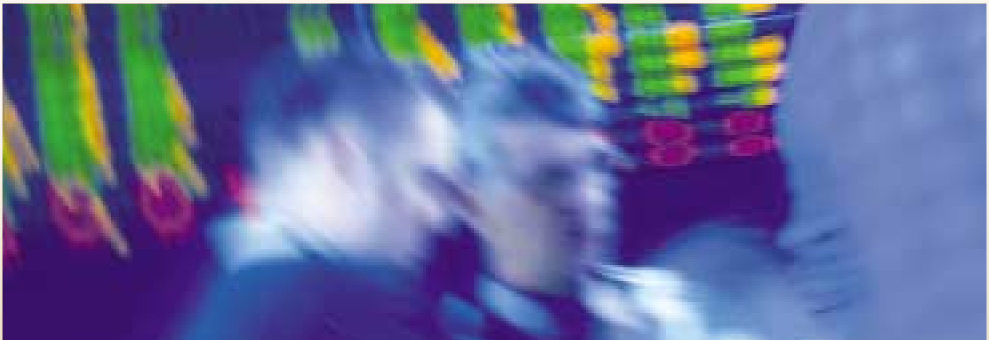
Index based, country-origin pricing. DTN collects elevator bids daily, and in turn, calculates indexes upon which MGEX agricultural index futures are settled. DTN gathers bids from a majority of U.S. elevators, and the indexes provide an average of the prices in the country. The result: More accurate hedges and the opportunity to hedge basis.

All calendar months traded. All months are listed so traders can more accurately hedge their needs and pay option premiums for only the months needed. For example, if traders need to hedge an advance sale of corn in January, they can trade an NCI January contract and manage their risk for that specific time. Traditionally, they would have to turn to a March contract, which may be affected by different fundamentals than the January contract.

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. When paired with the fact that all months are traded, MGEX index contracts make a lot of sense in any hedging program.

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.

Index-based contracts are relatively new to the grain and oilseed markets, but indexes themselves have been around for decades.



The Options Advantage

MGEX agricultural index options provide flexibility and pricing advantages over traditional delivery options while offering new spread trading opportunities.

Index options settle financially to their underlying indexes at expiration, and they expire simultaneously with index futures at the end of each contract month. (Delivery-settled options expire approximately three weeks before their futures contracts stop trading.) This simultaneous expiration of index contracts creates trading advantages and can provide traders with new spread trading opportunities between index options and traditional options.

PURE PRICE ADVANTAGE

When expiration dates and volatility are equal, MGEX index options have a pure price advantage over delivery-based options.

MGEX index contracts represent country elevator prices, whereas most delivery-settled contracts represent terminal market pricing. Therefore, delivery-settled contracts include a component in their price to transport the product from the country elevator to the terminal market. With all other factors being equal, this means delivery-settled options simply cost more than comparable MGEX index options.

FLEXIBILITY TO PURCHASE WHAT YOU NEED

Because MGEX index options expire monthly, traders can more closely match the option expiration with cash transaction dates, obtaining a better hedge and avoiding purchase of unneeded time value.

For example, assume on April 1 a trader wants to hedge a cash corn transaction expected to occur on September 30. If the trader used the deliverable corn contract, the hedge would have to be placed in December options because the September options contract expires in August. However, with NCI options, the September contract is used.

This trader saves money by using the NCI September option because time value is an important component of an option's price. Basically, the further an option is from its expiration, the more it costs. Moreover, because NCI option expiration closely coincides with the cash transaction, the basis and hedging results are more predictable.

MARKET-TESTED PERFORMANCE

MGEX index-based options offer clear operational advantages, and they cost less than delivery-based options under equal market conditions. This has been demonstrated in actual trading.

Research shows that MGEX index-based options can provide a savings of one to four cents (or around 10%) over comparable delivery-based options. This pricing advantage coupled with operational advantages make MGEX options a preferred hedging vehicle in many instances.

NEW SPREAD OPPORTUNITIES WITH OPTIONS

MGEX index options are a natural fit for spread and basis traders. A trader can create a synthetic basis position using options by simply buying or selling an index option and executing the opposite trade in the deliverable counterpart. This creates a new way to manage inherent price risk.

MGEX index options offer the most sizeable price advantages when:

- Volatility is high
- The option is further from maturity (more time value)

www.mgex.com

A complete analysis of The Options Advantage can be found on www.mgex.com, or you can request a copy by calling (800) 827-4746 or (612) 321-7101.

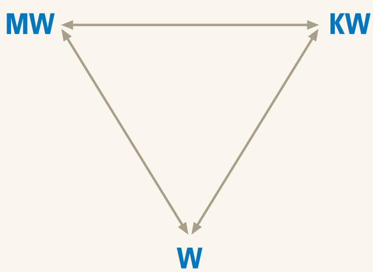
Basis, Spreads and Indexes

The introduction of MGEX index futures and options opens up a new world of opportunities for basis and spread trading.

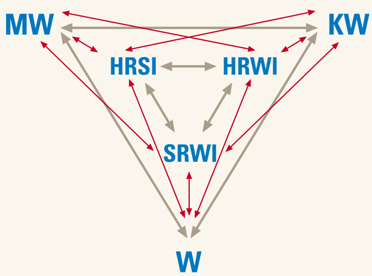
For example, with traditional delivery-settled wheat futures, there are three markets and three unique spreads. The addition of three MGEX wheat index-based futures contracts actually results in a fivefold increase in the number of unique spreads available to traders and hedgers (see illustration below).

Index futures and options make it possible to spread a country-origin contract (MGEX agricultural indexes) versus a terminal-level delivery contract (deliverable counterparts) to replicate basis positions.

In addition, wheat processors will find that risk between wheat classes, such as protein premium levels, can now be managed by spreading wheat index contracts. This is because the delivery process does not affect these contracts, and their prices represent a well-defined commercial quote for the underlying commodity.



SPREADS AVAILABLE IN THE PAST



SPREADS AVAILABLE WITH INDEXES

HEDGING BASIS

MGEX index futures and options create new opportunities for traders of wheat, corn and soybeans as they can better manage the basis by using futures to create synthetic basis positions.

Country elevator prices can vary widely for the same commodity because of differences in local demand, freight costs and other factors. This local price is often pegged to a futures price and the difference between the two prices is called the "basis."

Because MGEX indexes are highly correlated to their respective underlying cash markets, basis can be hedged by trading the spread (price difference) between MGEX index futures and their corresponding deliverable counterparts (see Table 1).

- To create a synthetic **long** basis position, **buy MGEX** index futures and **sell deliverable** futures.
- To create a synthetic **short** basis position, **sell MGEX** index futures and **buy deliverable** futures.

Options enter into this equation as well. For example, a trader may establish a long basis position by buying an at-the-money MGEX index call option while simultaneously selling an at-the-money call option in the deliverable counterpart. Not only will this protect the basis position, but it also generates a "credit" to the trader because of the options price advantage discussed on pages 4 & 5 in this brochure.

FOR MORE INFORMATION

An in-depth analysis of spread trading in MGEX agricultural index futures and options is available online at www.mgex.com. This paper examines several examples of how risk managers and traders can use these contracts to supplement their trading strategies.

Table 1 **MGEX index futures and their deliverable counterparts.**

Synthetic basis positions can be established by spreading an MGEX index future versus its deliverable counterpart, including:

INDEX	DELIVERABLE COUNTERPART
HRWI (Hard Red Winter Wheat Index)	**Kansas City Board of Trade wheat**
HRSI (Hard Red Spring Wheat Index)	**Minneapolis Grain Exchange wheat**
SRWI (Soft Red Winter Wheat Index)	**Chicago Board of Trade wheat**
NCI (National Corn Index)	**Chicago Board of Trade corn**
NSI (National Soybean Index)	**Chicago Board of Trade soybeans**

CONTRACT SPECIFICATIONS FOR MGEX AGRICULTURAL INDEX FUTURES AND OPTIONS

Contract Names:

National Corn Index (NCI) Futures and Options
National Soybean Index (NSI) Futures and Options
Soft Red Winter Wheat Index (SRWI) Futures and Options
Hard Red Winter Wheat Index (HRWI) Futures and Options
Hard Red Spring Wheat Index (HRSI) Futures and Options

Agricultural Index Futures

Trading Hours	
NCI:	6:30 p.m.-1:45 p.m. (CT) Sun-Fri
NSI:	6:31 p.m.-1:45 p.m. (CT) Sun-Fri
SRWI, HRWI, and HRSI:	6:32 p.m.-1:45 p.m. (CT) Sun-Fri
Contract Unit	NCI x 5,000 bu NSI x 5,000 bu HRSI x 5,000 bu HRWI x 5,000 bu SRWI x 5,000 bu
Contract Months	All 12 months
Tick Size:	1/4 cent per bushel ($0.0025) or $12.50 per contract
Daily Price Limit	
NCI:	25 cents per bushel
NSI:	60 cents per bushel
SRWI, HRWI, and HRSI:	30 cents per bushel
Last Trading Day:	Last business day of the settlement month
Settlement:	Cash settlement based on the simple average of the last three daily DTN agricultural index prices published during the settlement month of the futures contract using standard rounding techniques and rounded to the nearest 1/4 cent ($0.0025)
Settlement Date:	Business day following Last Trading Day

Agricultural Index Options

Trading Hours	
NCI:	6:32 p.m.-1:45 p.m. (CT) Sun-Fri
NSI:	6:33 p.m.-1:45 p.m. (CT) Sun-Fri
SRWI, HRWI, and HRSI:	6:34 p.m.-1:45 p.m. (CT) Sun-Fri
Underlying Asset	One MGEX index futures contract
Contract Months	All 12 months
Minimum Price Fluctuation	1/8 cent per bushel ($0.00125) or $6.25 per contract
Last Trading Day	Last business day of the underlying futures settlement month
Automatic Exercise	Based on the index financial settlement, the Clearing House shall automatically exercise all in-the-money options unless notice to cancel automatic exercise is given to the Clearing House
Exercise Style	American

Other contract specifications for the five MGEX agricultural index futures and options contracts remain consistent with the rules and regulations previously approved by the Board of Directors and MGEX ownership.

Consult the "Rules and Regulations of the Exchange" for complete contract specifications. For current contract specifications, consult your broker, contact the MGEX at 800-827-4746 or 612-321-7101 or see www.mgex.com.

MGEX

Agricultural indexes are calculated by:

dtn