

# CME Group

## Overview of CME Pork Cutout Index and Pork Cutout Futures

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Commodity Research & Product Development



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**CME Group offers the widest range of benchmark futures and options products, covering all major asset classes – and all kinds of risk.**



## Where the World Comes to Manage Risk

**CME Group's ADV  
is roughly 19 million  
contracts**

**Agricultural Product  
ADV is roughly 1.4  
million contracts**

**Livestock ADV is  
roughly 138,000  
contracts**

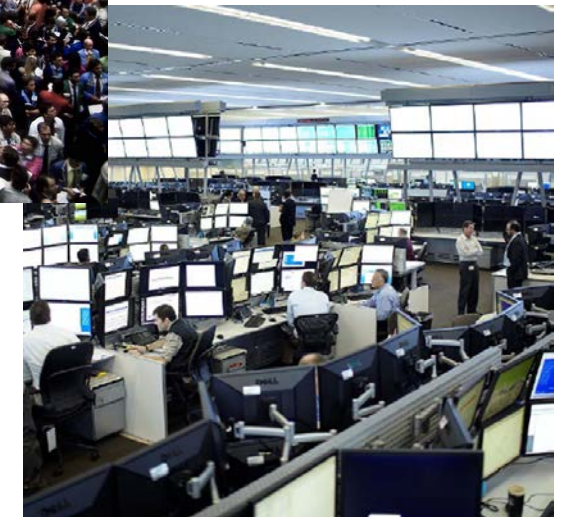
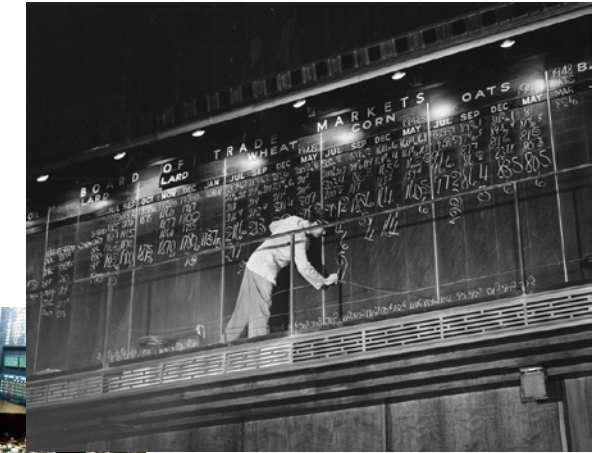


Note: Date range referenced for ADV is 1/1/2021-9/30/2021



# Price Risk Management

- Futures and options markets are used by agricultural market participants to hedge against adverse price movements in the cash market.
- Trade in futures is the buying and selling of a contractual obligation calling for future delivery of a specified commodity or cash payment (debits or credits) in lieu of physical delivery.
- Options on futures are contracts that represent the right, not the obligation, to either buy or sell a particular underlying futures contract at a specified price on or before a specified date.



# CME Group Agricultural Product Line

## Livestock

Live Cattle  
Feeder Cattle  
**Lean Hogs**  
**Pork Cutout**

## Lumber & Softs

Random Length Lumber  
Cotton  
Cocoa  
Coffee

## Dairy

Class III Milk  
Class IV Milk  
Nonfat Dry Milk  
Dry Whey  
Cash-settled Butter  
Cash-settled Cheese  
Block Cheese

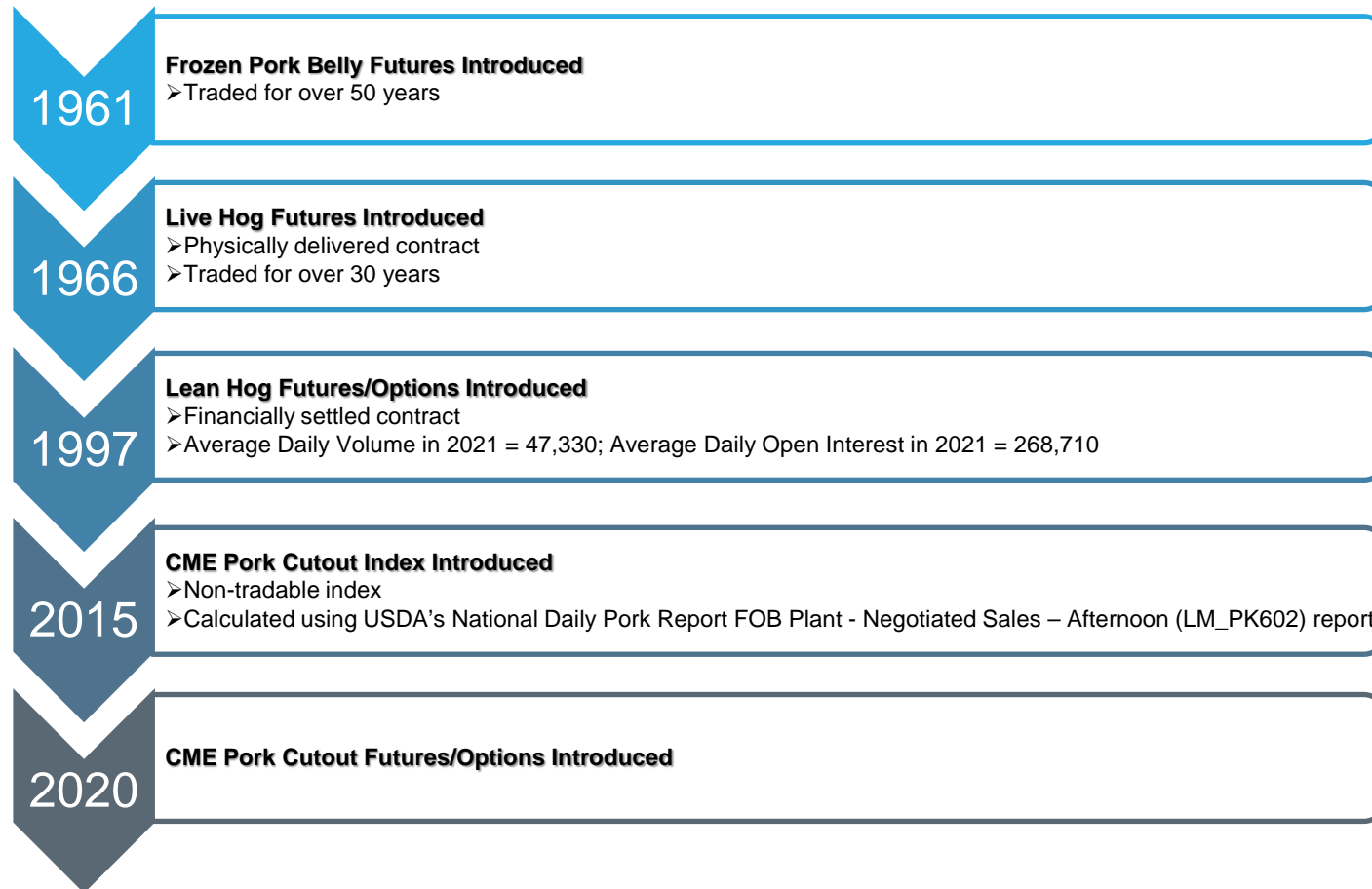
## Grains & Oilseeds

Corn  
Soybeans  
Soybean Oil  
Soybean Meal  
Chicago SRW Wheat  
KC HRW Wheat  
Black Sea Wheat  
FOB Santos Soybeans  
Malaysian Palm Oil  
Rough Rice  
Oats

## Fertilizer

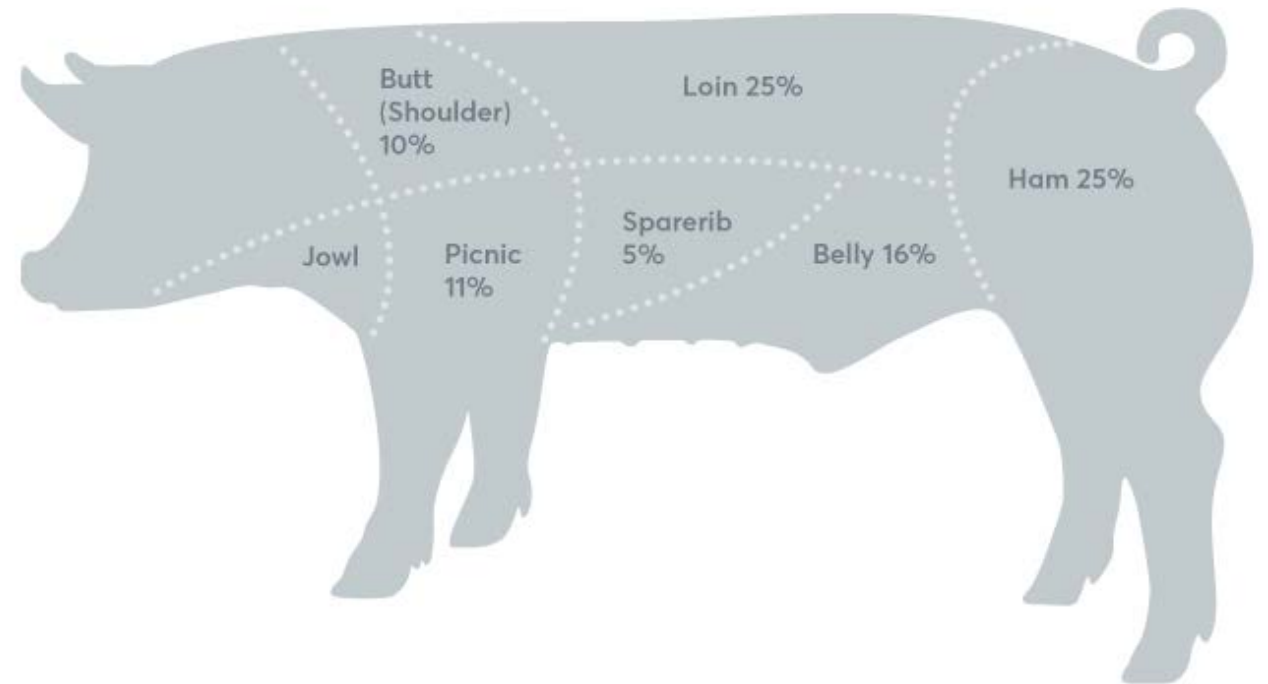
Urea FOB US Gulf  
Urea FOB Middle East  
Urea CFR Brazil  
Urea FOB Egypt  
DAP FOB NOLA  
UAN FOB NOLA Swaps  
MAP CFR Brazil

# Price Risk Management Tools for the Swine Industry



# A Changing Landscape and a Need for New Tools

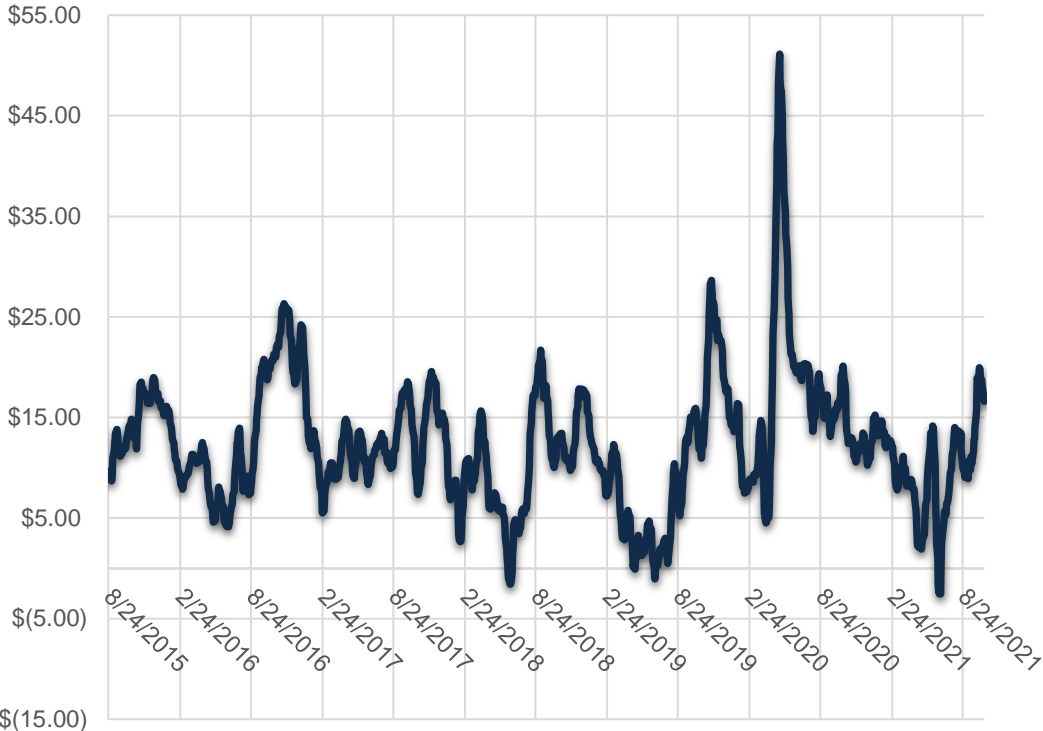
- An increasing number of contracts between producers and packers have been referencing the pork cutout value in their base price calculations.
- As a result, the need emerged for additional price risk management tools for the industry.



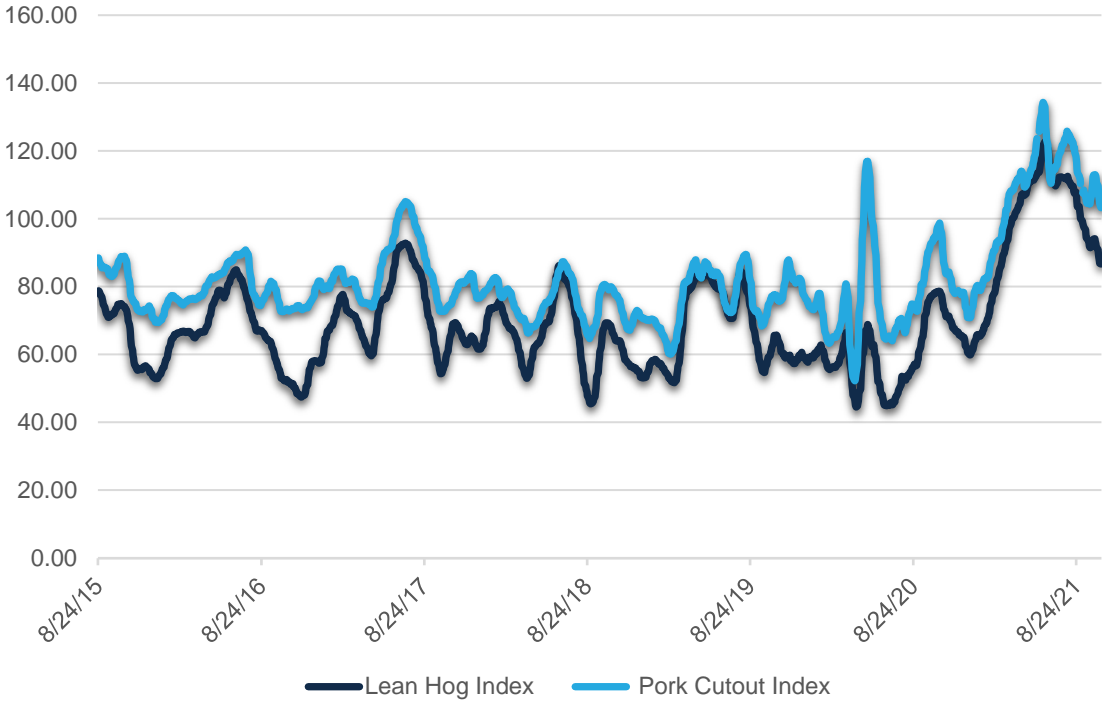


# A Changing Landscape and a Need for New Tools

### CME Pork Cutout/Lean Hog Index Spread



### CME Pork Cutout and Lean Hog Indexes



# Introducing: CME Pork Cutout Futures and Options

- A tool for producers, packers, processors, wholesalers, importers, and exporters to tailor their risk management strategy according to exposure to pork cutout values
- Allows hog producers to more effectively hedge their exposure
- Allows packers, food distribution companies, HRI and exporters/importers to manage cutout price exposure further down the supply chain
- An opportunity to trade the spread between Pork Cutout and Lean Hogs

# CME Pork Cutout Futures Contract Specifications

Specification	Description
<b>Contract Unit</b>	40,000 pounds (~18 MT)
<b>Price</b>	U.S. Cents per pound
<b>Minimum Price Fluctuation Limits</b>	\$.00025 per pound (\$10 per contract)
<b>Daily Price Limit</b>	\$0.0575/lb, expandable to \$0.085/lb
<b>Trading Hours</b>	Globex: Monday – Friday: 8:30am – 1:05pm CST
<b>Product Code</b>	CME Globex: PRK Clearing:PRK
<b>Listed Contracts</b>	2 Monthly contracts of Feb, Apr, May, Jun, Jul, Aug, Oct, Dec
<b>Settlement Method</b>	Pork Cutout futures will be cash settled based upon the CME Pork Cutout Index® price for the Five–day period ending on the day on which trading terminates. The relevant index price is released one business day after trading in the expiring contract month terminates.
<b>Termination of Trading</b>	10th business day of the contract month, 12:00 p.m.
<b>Exchange Rulebook</b>	CME 156

# CME Pork Cutout Contract Since Launch

- Since launching on November 9, 2020, Pork Cutout futures and options have traded over 29,000 contracts, equating to over 1.1 billion lbs. traded
- Market composition has included participants across the supply chain
- Average daily volume (ADV) for 2021 is 127 contracts
- Average Open Interest for 2021 is 1,481 contracts
- Continued industry support

# CME Pork Cutout Index

- Effective on Monday, August 24, 2015, CME Group began publishing the CME Pork Cutout Index
- “National Daily Pork Report Fob Plant - Negotiated Sales – Afternoon” (LM\_PK602)
- Takes into account the daily number of loads and the daily carcass price to determine the daily total value
- 5-day moving weighted average price
- Calculated every business day



# Datapoints Used for Calculation of the CME Pork Cutout Index



## National Daily Pork Report FOB Plant - Negotiated Sales - Afternoon

Agricultural Marketing Service  
Livestock, Poultry, and Grain Market News

October 08, 2021

[LM PK602](#)

Email us with accessibility issues regarding this report.

Loads PORK CUTS : 252.30  
Loads TRIM/PROCESS PORK : 28.23

### USDA Estimated Pork Cut-Out Values - as of 2:00pm

Based on negotiated prices and volume of pork cuts delivered within 14 days and on average industry cutting yields. Values reflect U.S. dollars per 100 pounds.

Calculations for 215 lb Pork Carcass. 55-56% lean, 0.55"-0.70" BF Last Rib

Today's Estimated Primal Cutout Values								
Date	Loads	Carcass	Loin	Butt	Pic	Rib	Ham	Belly
10/08/2021	280.54	106.99	101.90	115.09	72.68	130.04	75.08	203.38
Change:		-5.27	-8.07	0.98	-5.30	-4.18	-8.53	-2.68
10/07/2021	366.96	112.26	109.97	114.11	77.98	134.22	83.61	206.06
10/06/2021	288.56	112.86	103.93	113.31	75.93	134.72	93.57	203.35
10/05/2021	341.51	108.13	105.05	109.04	79.54	133.22	76.94	201.31
10/04/2021	292.27	112.40	105.28	111.84	78.15	133.16	91.87	203.90
<b>Five Day Average --</b>		110.53	105.23	112.68	76.86	133.07	84.21	203.60

Source: [https://mymarketnews.ams.usda.gov/filerepo/sites/default/files/2498/2021-10-08/513862/ams\\_2498\\_00415.pdf](https://mymarketnews.ams.usda.gov/filerepo/sites/default/files/2498/2021-10-08/513862/ams_2498_00415.pdf)

# CME Pork Cutout Index Calculation

DATE	LOADS	CARCASS VALUE	DAILY VALUE (LOADS X CARCASS VALUE)
10/8/2021	280.54	106.99	\$30,014.9746
10/7/2021	366.96	112.26	\$41,194.9296
10/6/2021	288.56	112.86	\$32,566.8816
10/5/2021	341.51	108.13	\$36,927.4763
10/4/2021	292.27	112.40	\$32,851.1480
<b>SUM</b>	<b>1,569.84</b>		<b>\$173,555.4101</b>

## Example calculation of the index for the five business days ending on Friday, October 8, 2021:

The sum of the five daily values is \$173,555.4101. This is then divided by the sum of the five daily loads, 1,569.84, to obtain the index price of 110.5561, which is rounded to 110.56.

CALCULATED INDEX PRICE	ROUNDED INDEX PRICE
$\frac{\$173,555.4101}{1,569.84} = \$110.5561$	\$110.56

# Published CME Pork Cutout Index Prices

## Commodity Index Prices

CME Group Commodity Indices reflect volume-weighted average prices calculated by using head counts, weights, and prices of a commodity to determine a daily or weekly index value. Here you will find daily price data and links to historical files for CME Group Commodity Indices on Feeder Cattle (posted in the US afternoon with a lag of one business day), Lean Hogs (posted in the US morning with a lag of two business days), Pork Cutout (posted in the US morning with a lag of one business day), Boxed Beef (posted in the US morning with a lag of one business day), and Fresh Bacon (posted on the first business day of the week reflecting the previous week's cash trade).

### Fresh Bacon

 Weekly Index Data

- [Web View](#) | [FTP File](#)

 Index Price

- [Web View](#) | [FTP File](#)

### Lean Hogs


 Daily Index Data

- [Web View](#) | [FTP File](#)

 Index Price

- [Web View](#) | [FTP File](#)

### Pork Cutout

 Daily Index Data

- [Web View](#) | [FTP File](#)

 Index Price

- [Web View](#) | [FTP File](#)

### Feeder Cattle

 Daily Index Data

- [Web View](#) | [FTP File](#)

 Index Price

- [Web View](#) | [FTP File](#)

### Boxed Beef

 Daily Index Data

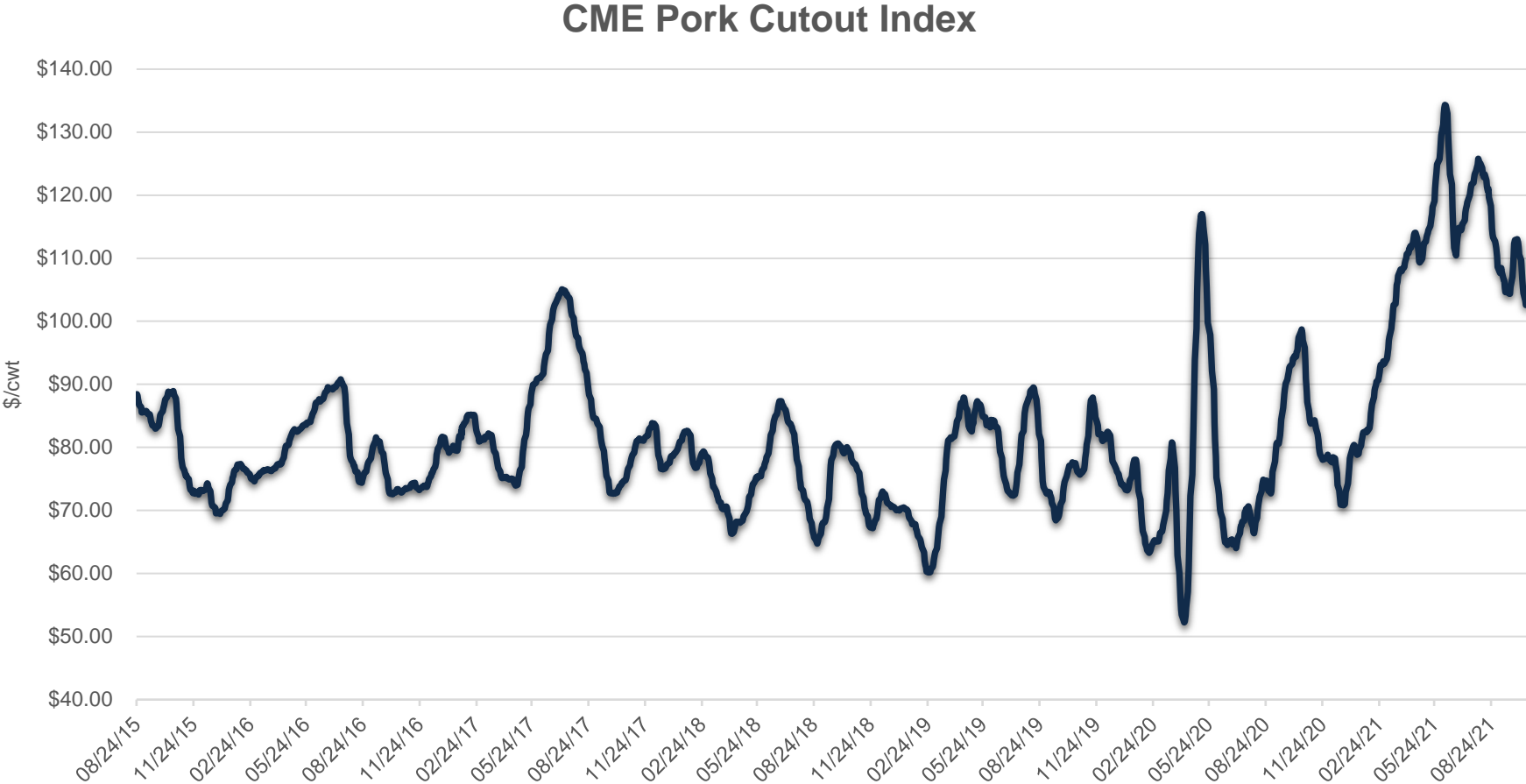
- [Web View](#) | [FTP File](#)

 Index Price

- [Web View](#) | [FTP File](#)

<https://www.cmegroup.com/market-data/reports/commodity-index-prices.html>

# CME Pork Cutout Index Over Time



# Final Settlement


## PORK CUTOUT FUTURES - CALENDAR

CONTRACT MONTH	PRODUCT CODE	FIRST TRADE LAST TRADE	SETTLEMENT
OCT 2021	PRKV21	09 NOV 2020 14 OCT 2021	15 OCT 2021
DEC 2021	PRKZ21	09 NOV 2020 14 DEC 2021	15 DEC 2021
FEB 2022	PRKG22	09 NOV 2020 14 FEB 2022	15 FEB 2022
APR 2022	PRKJ22	09 NOV 2020 14 APR 2022	18 APR 2022
MAY 2022	PRKK22	01 DEC 2020 13 MAY 2022	16 MAY 2022
JUN 2022	PRKM22	01 DEC 2020 14 JUN 2022	15 JUN 2022
JUL 2022	PRKN22	16 FEB 2021 15 JUL 2022	18 JUL 2022
AUG 2022	PRKQ22	16 APR 2021 12 AUG 2022	15 AUG 2022
OCT 2022	PRKV22	17 MAY 2021 14 OCT 2022	17 OCT 2022
DEC 2022	PRKZ22	15 JUN 2021 14 DEC 2022	15 DEC 2022



# Resources

## Getting Started: Find a Broker

 [MARKETS](#) [DATA](#) [SERVICES](#) | [INSIGHTS](#) [EDUCATION](#)

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### Find A Broker Directory

The first step to trading futures is to find a registered futures broker to maintain your account.


Consider selecting a broker who supports the products you are interested in trading and in the markets you want to trade.

[Why Trade Futures →](#)

Are you new to futures markets? You're in the right place. Learn more about what futures are, how they trade and how you can get started trading.

<https://www.cmegroup.com/tools-information/find-a-broker>


## Pork Cutout Landing Page

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# CME Pork Cutout futures and options

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### Clear-cut opportunities for enhanced risk management

Arrangements between hog producers and packers or processors today are diverse and ever-evolving. Once based almost exclusively on the value of live hogs, many agreements now pay greater attention on prices further down the value chain, particularly the pork cutout.

New CME Pork Cutout futures and options are designed to give the US pork industry and export markets tailored risk-management tools on the cutout. These contracts are cash-settled to the CME Pork Cutout Index and complement CME Lean Hog futures and options, expanding our lineup of leading Agricultural benchmarks.

**Contact us**  
For more information, please contact a member of our team at [pork-cutout@cmegroup.com](mailto:pork-cutout@cmegroup.com).

**Trading resources**

- [Commodity Index Prices](#)

<https://www.cmegroup.com/trading/agricultural/livestock/cme-pork-cutout-futures-and-options.html>

## Contact Information

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