

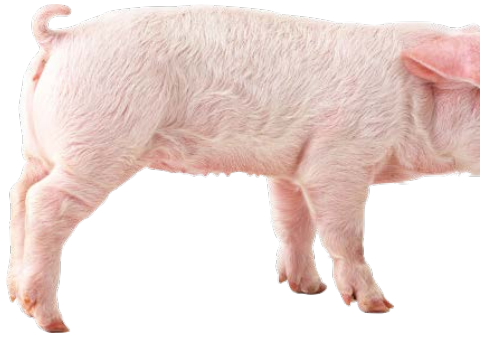
CME Group

Overview of CME Lean Hog Index and Lean Hog Futures

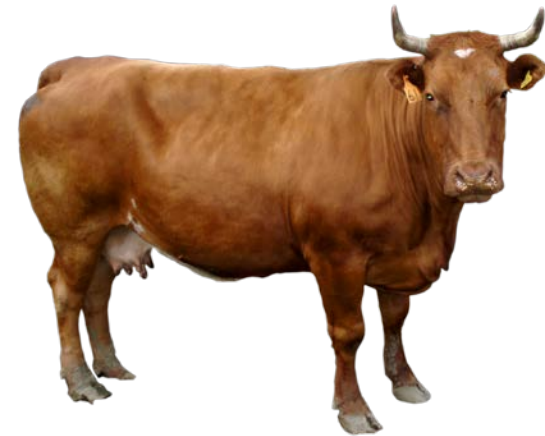
Anne Krema, Director

Commodity Research & Product Development





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**

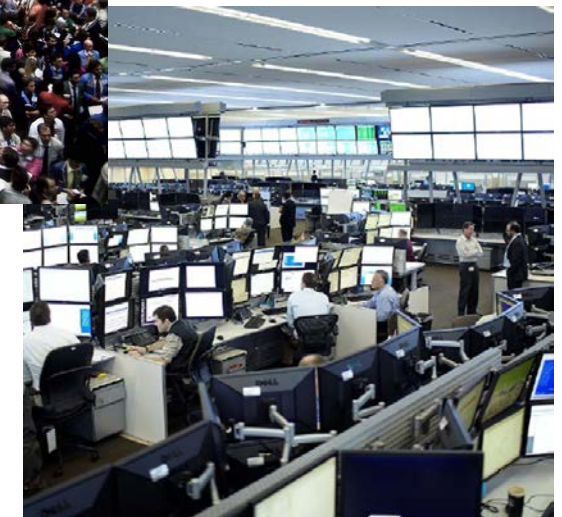
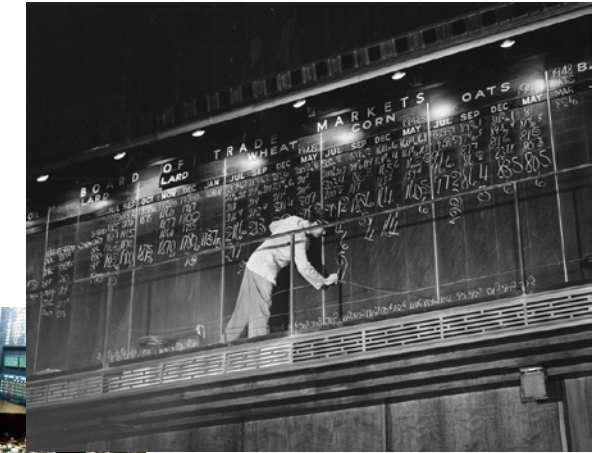
**Livestock ADV is
roughly 138,000
contracts**



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

Lumber

Random Length Lumber

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

CME Hog Futures Over Time

- **Physical delivery (last expiration in December 1996):**
 - Total of 40,000 lbs. of Grade #1, #2 and #3 live hogs at 230-260 lbs. each
 - Stockyard delivery at par in Peoria, Omaha, Sioux City, Sioux Falls and with discounts in E. St. Louis, St. Joseph, St. Paul
 - Last trading day was 6th to the last business day of contract month

- **Cash settlement (first expiration in February 1997):**
 - Total of 40,000 lbs. of hog carcasses
 - Based on USDA national daily price reports for slaughtered swine
 - Last trading day is 10th business day of contract month

CME Lean Hog Futures Contract Specifications

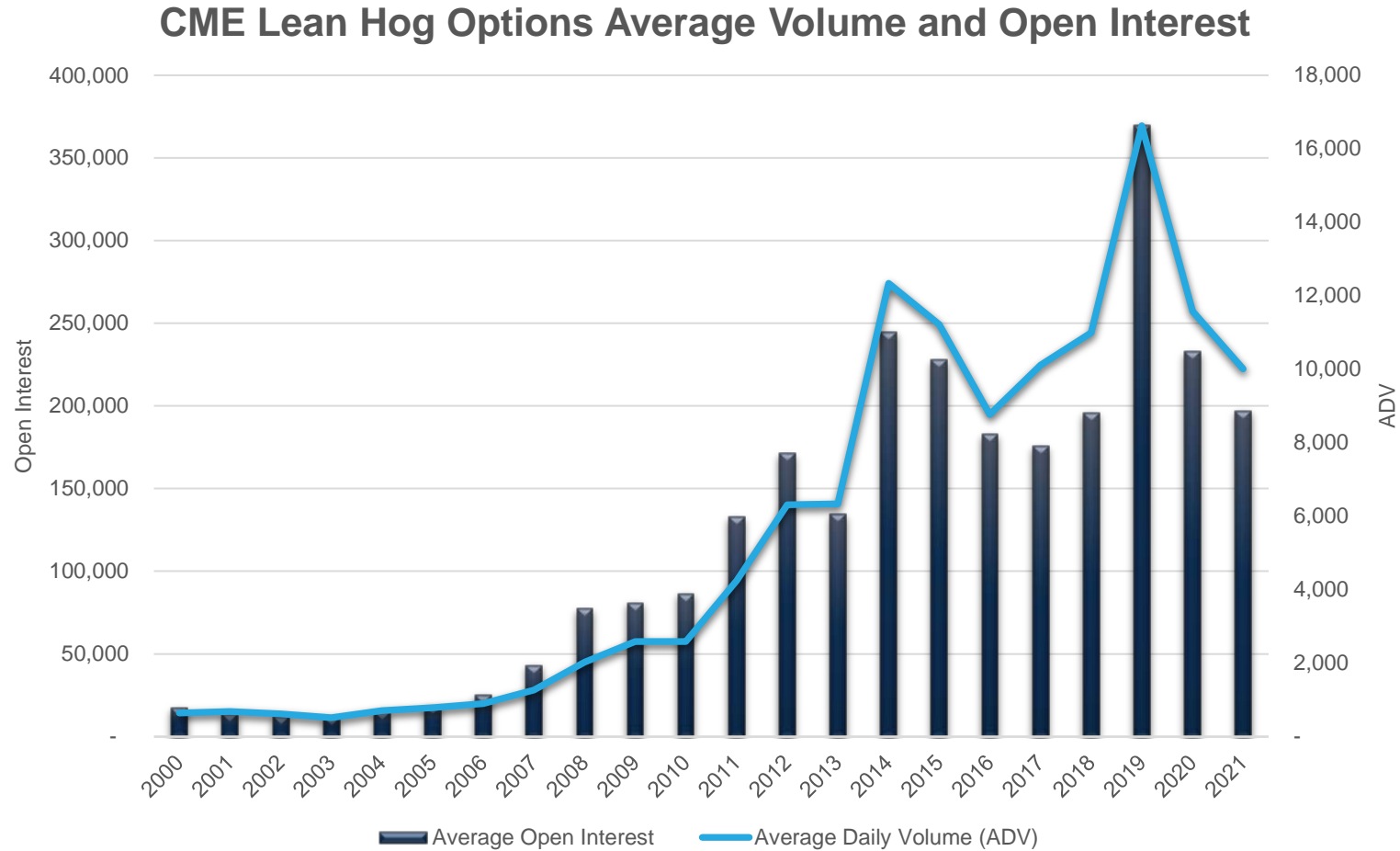
Specification	Description
Contract Unit	40,000 pounds (~18 MT)
Price	U.S. Cents per pound
Minimum Price Fluctuation Limits	\$.00025 per pound (\$10 per contract)
Daily Price Limit	\$0.0475/lb, expandable to \$0.07/lb
Trading Hours	Globex: Monday – Friday: 8:30am – 1:05pm CST
Product Code	CME Globex: HE Clearing: LN
Listed Contracts	2 Monthly contracts of Feb, Apr, May, Jun, Jul, Aug, Oct, Dec
Settlement Method	Financially Settled (All contracts open as of the termination of trading shall be cash settled based upon the CME Lean Hog Index® for the two-day period ending on the day on which trading terminates.)
Termination of Trading	10th business day of the contract month, 12:00 p.m.
Exchange Rulebook	CME 152

Futures Market Growth

CME Lean Hog Futures Average Volume and Open Interest



Options Market Growth



Cash Market Prices and Flow of Information



Negotiated & formula carcass pricing



Producer sells hogs directly to packer in the cash market



Packer reports purchases to the USDA in accordance with U.S. laws

Reports hog purchases to USDA



USDA organizes, audits, and disseminates cash data

Price reports shared publically daily



FINAL futures settlement to CME Lean Hog 2-day index

CME Lean Hog Index

- National Daily Direct Hog Prior Day Report – Slaughtered Swine (USDA Report LM_HG201)
- Producer Sold, Barrows and Gilts
- “Negotiated”, “Swine or Pork Market Formula” (SPMF), and “Negotiated Formula” Values
- Average Net Price
- Weighted by Head Count and Average Carcass Weight
- Averaged over 2 days
- Calculated every business day

Datapoints Used for Calculation of the CME Lean Hog Index



National Daily Direct Hog Prior Day Report - Slaughtered Swine

Agricultural Marketing Service
Livestock, Poultry, and Grain Market News

September 23, 2021

[LM HG201](#)

Email us with accessibility issues regarding this report.

Slaughter Data for Wednesday, September 22, 2021

Barrows and Gilts (Live and Carcass Basis): 433,847

	Negotiated	Other Market Formula (FUT/OPT)**	Swine or Pork Market Formula	Other Purchase Arrgmt	Negotiated Formula	Totals/ Wtd Avg
Producer Sold:						
Head Count	3,747	30,681	120,498	84,883	684	240,493
Carcass Base Price	83.67	82.27	89.93	88.71	86.73	88.46
Average Net Price	83.42	85.22	91.84	90.93	91.55	90.55
Lowest Net Lot	75.03	60.17	73.05	73.27	77.11	69.56
Highest Net Lot	89.21	101.06	105.83	120.55	95.17	103.38
Average Live Wt	268.04	280.82	281.36	281.33	279.32	281.07
Average Carcass Wt	201.69	210.68	211.20	210.81	206.57	210.85
Average Sort Loss	-1.96	-1.66	-1.42	-1.33	-1.06	-1.43

Source: https://mymarketnews.ams.usda.gov/filerepo/sites/default/files/2511/2021-09-23/508228/ams_2511_00404.pdf

Index Calculation

$$\text{Daily Total Value} = \text{Negotiated} + \text{SPMF} + \text{Negotiated Formula}$$

Head Count * Average Carcass Wt. * Average Net Price

$$\text{Daily Total Weight} = \text{Negotiated} + \text{SPMF} + \text{Negotiated Formula}$$

Head Count * Average Carcass Wt.

$$\text{CME Lean Hog Index} = \frac{\text{Sum of Daily Total Value from the last 2 days}}{\text{Sum of Daily Total Weight from the last 2 days}}$$

Published CME Lean Hog 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>

Final Settlement

LEAN HOG FUTURES - CALENDAR

CONTRACT MONTH	PRODUCT CODE	FIRST TRADE LAST TRADE	SETTLEMENT
OCT 2021	LVN21	15 MAY 2020 14 OCT 2021	18 OCT 2021
DEC 2021	LVZ21	15 JUN 2020 14 DEC 2021	16 DEC 2021
FEB 2022	LVG22	17 AUG 2020 14 FEB 2022	16 FEB 2022
APR 2022	LVJ22	15 OCT 2020 14 APR 2022	19 APR 2022
MAY 2022	LVK22	15 DEC 2020 13 MAY 2022	17 MAY 2022
JUN 2022	LVN22	15 DEC 2020 14 JUN 2022	16 JUN 2022
JUL 2022	LVN22	16 FEB 2021 15 JUL 2022	19 JUL 2022
AUG 2022	LVQ22	16 APR 2021 12 AUG 2022	16 AUG 2022
OCT 2022	LVN22	17 MAY 2021 14 OCT 2022	18 OCT 2022



Disclaimer

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