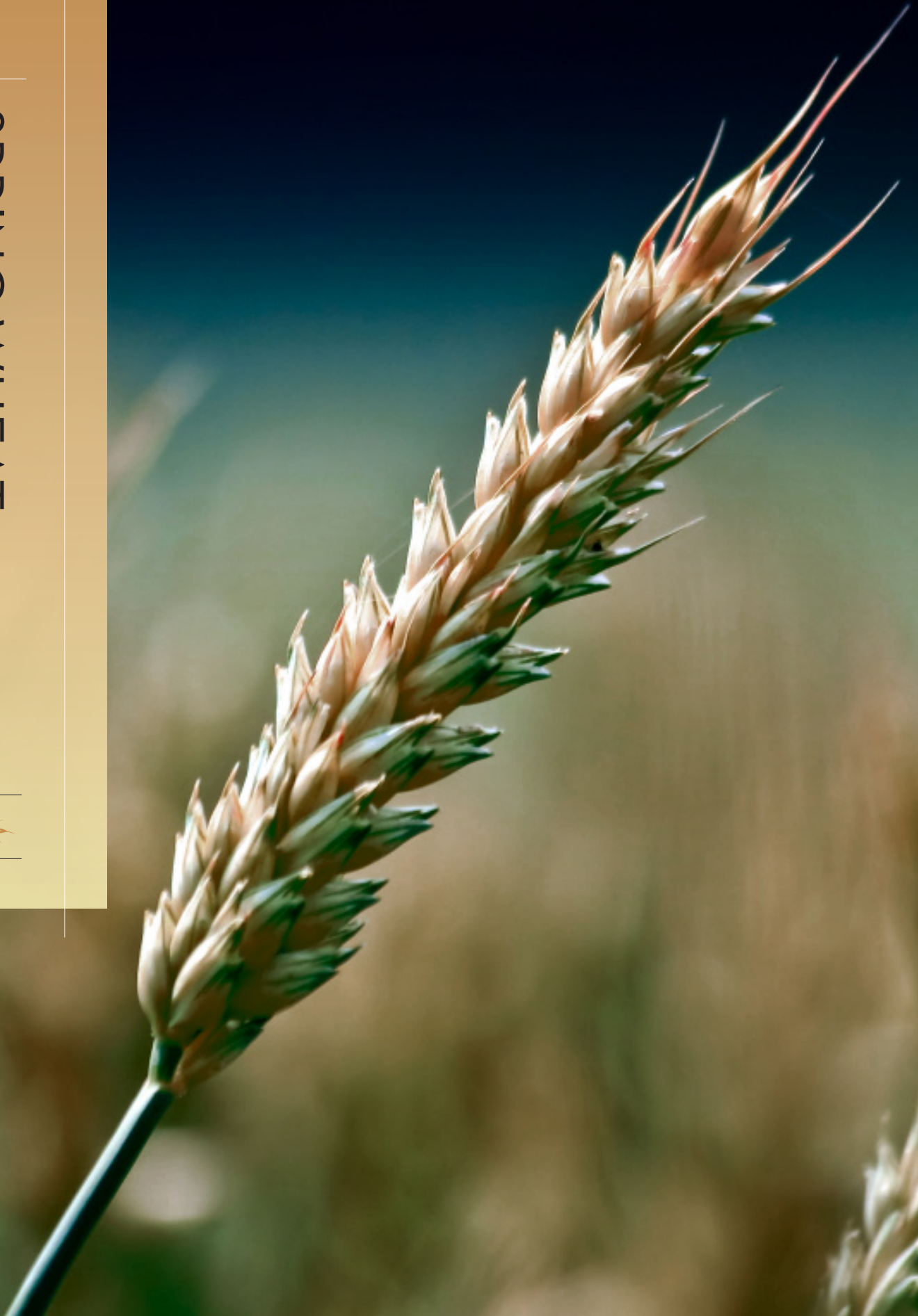


MGEX

SPRING WHEAT
FUTURES AND OPTIONS





WORLD'S LARGEST HARD RED SPRING WHEAT MARKET

Since its inception in 1881, MGEX has been the principal market for Hard Red Spring Wheat (HRSW)—first as a cash market, then futures and options.

Exporters, farmers, millers, elevators and speculators look to MGEX when they trade HRSW.

Known for its stable and reliable trading environment, MGEX has a reputation as a good place to do business. It offers the liquidity, product line and the oversight to ensure fair and accurate trading for participants around the globe.

ONE OF A KIND, HIGH-QUALITY WHEAT

The HRSW futures and options contracts trade electronically on the CME Globex® platform. Trading occurs during the trading day and overnight. The contract is backed by Federal Warehouse Receipt delivery.

Growing season

As its name indicates, HRSW is planted in the spring and harvested in late summer with the September contract representing new crop delivery. In contrast, winter wheat is fall-planted and spring-harvested, with a July new crop contract.

Contract quality requirements

The MGEX HRSW futures contract is the only major wheat futures contract with a required minimum protein for its deliverable stocks. The contract requires a minimum 13.5 percent, or better, protein content. HRSW is premium milling quality wheat. It is a favorite of bread flour millers and bakers when they look to price future wheat needs and manage price risk.

Other major wheat classes are:

Hard Red Winter Wheat

The most prominent wheat grown in the U.S. It is often blended with HRSW to produce bread flour. It is harvested in the summer and the new crop month is July.

Soft Red Winter Wheat

The third most produced wheat in the U.S. It is used to produce flour for cakes and cookies and is harvested in the summer, with new-crop month in July.



Exporting to **over 35 countries**, MGEX is truly a **global marketplace**. The Hard Red Spring Wheat contract directly impacts countries from Venezuela to Italy to the Philippines.



A RISK MANAGEMENT TOOL

HRSW futures and options help traders manage risk, and offer the prospect of profit for speculators willing to assume that risk. Each market participant has a specific objective.

HRSW FUTURES AND OPTIONS OFFER:

- For the wheat producer – A method for pricing a crop yet to be produced.
- For grain elevators – Risk management and the opportunity to offer forward pricing to their customers.
- For the miller and baker – A tool to price supplies needed for future flour production.
- For the speculator – The prospect of profits.

Many factors from crop quality to export demand affect the MGEX marketplace. With opportunities for volatility in the marketplace, risk management tools are a must for farmers, traders and millers. MGEX provides all members of the marketplace the tools to limit their risk.

FUNDAMENTALLY SPEAKING

The HRSW contract has the flexibility to limit the risk that comes with trading commodities. HRSW, like any crop, follows seasonal patterns.

From spring planting to fall harvest, the market is driven by the latest crop news on acreage, yields and quality of the wheat. The market focuses on export demand and international supply when the crop is not in the ground.

1. CROP QUALITY – A cool, wet growing season may increase the chance for crop disease and suppress the wheat's protein potential, thus reducing the amount of quality wheat available for milling. Conversely, a hot and dry summer encourages protein development but potentially reduces yield. Low protein or quality issues with winter wheat typically will increase demand for HRSW.

2. EXPORTS* – Over 45 countries import HRSW each year. In 2006/2007 the top importers were respectively Japan, the Philippines, Taiwan, Venezuela and South Korea. The level of worldwide demand strongly influences HRSW futures prices.

3. GOVERNMENT POLICY – Changes in government policy influence the acreage allocated to various crops in the U.S. For example, a change in policy benefiting corn may shift acres away from wheat or vice versa.

4. OTHER MARKETS – Corn, soybean and winter wheat prices often influence the direction of HRSW futures prices. In addition, exchange rates, energy and other commodities can impact wheat supply and demand. For instance, a strong U.S. dollar translates into higher wheat costs overseas, potentially slowing foreign purchases of U.S. wheat.

*Source: USDA, Agricultural Marketing Service, Grain and Feed Market News "HRS Wheat Exports, 2006/07 Crop Year"

HARD RED SPRING WHEAT FACTS

HRSW is the most prominent wheat grown in North America. It is a favorite of bakers and millers and is typically used in the production of bread, bagels and hard rolls. HRSW is exported to countries around the world in large quantities. It is grown in parts of the United States and Canada.

SPREAD OPPORTUNITIES

The MGEX HRSW futures contract is often traded as part of a spread against other wheat contracts. The margin requirements on this spread trade are low, but the opportunities may be great. Prices for all three wheat classes tend to move in the same direction, but each contract moves at its own pace and on its own fundamentals.

MGEX HRSW often trades at a premium over other markets because of its quality requirements. The spread has moved in a wide range over the years due to differences in export demand, growing conditions and supplies. In addition, the differing new-crop months can create interesting trading opportunities.

LIMITED RISK, UNLIMITED PROFIT POTENTIAL

The flexibility of MGEX HRSW options continue to grow in popularity with customers around the globe. For producers, options are an affordable way to insure the price of a crop.

While futures contracts provide protection against volatile price movements by "locking in" desired price levels, options contracts allow hedgers to benefit if prices move in their favor. Furthermore, this protection is provided at a known cost; options buyers never have a margin call.

For speculators, MGEX HRSW options offer seasonal volatility opportunities and liquidity to get in and out of positions when needed. For a more detailed look at

HRSW options, call MGEX and request a copy of Examining Futures and Options. This booklet contains several examples of strategies that capitalize on MGEX options.

For quotes, charts, market commentary and other valuable information on MGEX HRSW futures and options, go to www.mgex.com.

WHEAT INDEX SPREADS

The deliverable HRSW contract can be traded against the MGEX agricultural index products.

These index products are based on cash elevator bids for the three major wheat classes. They differ from traditional futures and options in that they are traded electronically and are financially settled with no delivery. A spread trade executed between the HRSW contract and a wheat index contract offers a number of potential strategies and receives favorable margin treatment.

One spread trade strategy is to use futures to create synthetic basis positions, allowing better management of basis risk. Because MGEX wheat index products are highly correlated to their underlying cash markets, basis can be hedged by trading the spread between index futures and their respective deliverable counterparts.

For example, a synthetic long basis position for HRSW can be created by buying MGEX hard red spring wheat index (HRSI) futures and selling MGEX HRSW futures. To create a synthetic short basis position, one would sell MGEX HRSI futures and buy MGEX HRSW futures.

For more information on agricultural indexes, call MGEX at 800-827-4746 or 612-321-7101 and request a copy of *MGEX Agricultural Index Products Brochure* or view it online at www.mgex.com.



The World's Premier
Wheat Contract—
Hard Red Spring Wheat

mgex.com



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130 Grain Exchange Building
Minneapolis, MN 55415 USA

P 612 321 7101 or
Toll Free 1 800 827 4746
F 612 339 1155
mgex@mgex.com

(Consult the Rules and Regulations of the Exchange for complete contract specifications.)

Hard Red Spring Wheat **Futures** Contract Specifications

TRADING HOURS

Electronic:
6:00 p.m. - 6:00 a.m.
Sunday - Friday (Central Time)
9:30 a.m. - 1:15 p.m.
Monday - Friday (Central Time)

CONTRACT UNIT

5,000 bushels

TICKER SYMBOL

Open Outcry: MW
Electronic: MWE

DELIVERY MONTHS

March, May, July, September
(New Crop) and December

DAILY PRICE LIMITS

\$.60 per bushel or \$3,000 per contract for every
other month. No limit for the spot month (limits are

subject to change, please refer to MGEX Rulebook
or homepage for current limit information)

MINIMUM PRICE FLUCTUATION

1/4 cent per bushel or \$12.50 per contract

SPECULATIVE POSITION LIMITS

Spot month: 600 contracts
Single month: 5,000 contracts
All months: 6,500 contracts

DELIVERABLE GRADES

No. 2 or better Northern Spring Wheat
with a protein content of 13.5% or higher,
with 13% protein deliverable at a discount.

DELIVERY POINTS

Elevators located in Minneapolis/St. Paul,
Red Wing and Duluth/Superior

LAST TRADING DAY

The business day preceding the fifteenth calendar
day of that contract month

FIRST NOTICE DAY

The last business day of the month preceding the
delivery month

FIRST DELIVERY DAY

The first business day of the delivery month

LAST NOTICE DAY

The last business day preceding the last delivery day

LAST DELIVERY DAY

The seventh business day following the last
trading day

Hard Red Spring Wheat **Options** Contract Specifications

TRADING HOURS

Electronic:
6:00 p.m. - 6:00 a.m.
Sunday - Friday (Central Time)
9:30 a.m. - 1:30 p.m.
Monday - Friday (Central Time)

UNDERLYING ASSET

One MGEX Hard Red Spring Wheat futures
contract (5,000 bushels)

TICKER SYMBOL

Open Outcry: WP - puts, WC - calls
Electronic: OMW

DELIVERY MONTHS

March, May, July, September and December

DAILY PRICE LIMIT

\$.60 per bushel or \$3000 per contract for
every other month (same as underlying futures)

MINIMUM PRICE FLUCTUATION

1/8 cent per bushel or \$6.25 per contract

SPECULATIVE POSITION

3000 futures-equivalent contracts—any one
month 4000 futures-equivalent contracts—
all months combined

LAST TRADING DAY

Trading in an option class shall terminate on the
last Friday which preceded by at least two business
days, the last business day of the month preceding
the options contract month. If such Friday is not an
Exchange business day, then trading shall terminate
on the preceding business day.

AUTOMATIC EXERCISE

Based upon the settlement price for Spring Wheat
futures on the last day of trading for Spring Wheat
options, the Clearing House shall automatically exer-
cise all in-the-money options unless notice to cancel
automatic exercise is given to the Clearing House.

Contract specifications are subject to change without notice.

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