

# CME Group Australian Wheat Futures (FOB) Contract

July 2017

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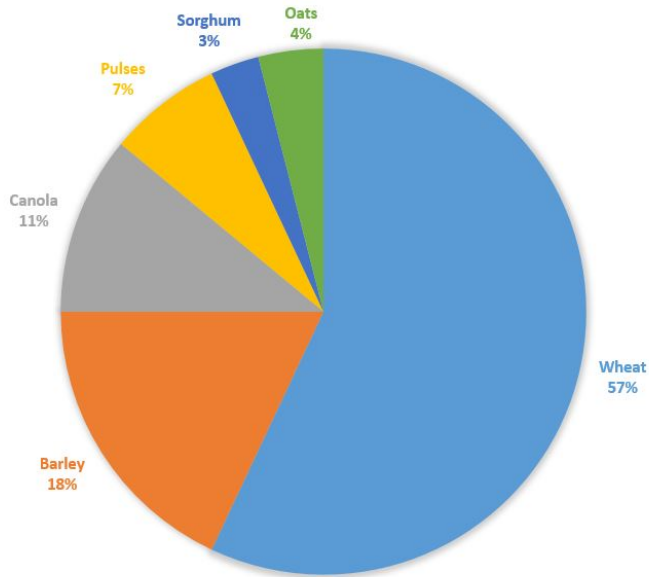
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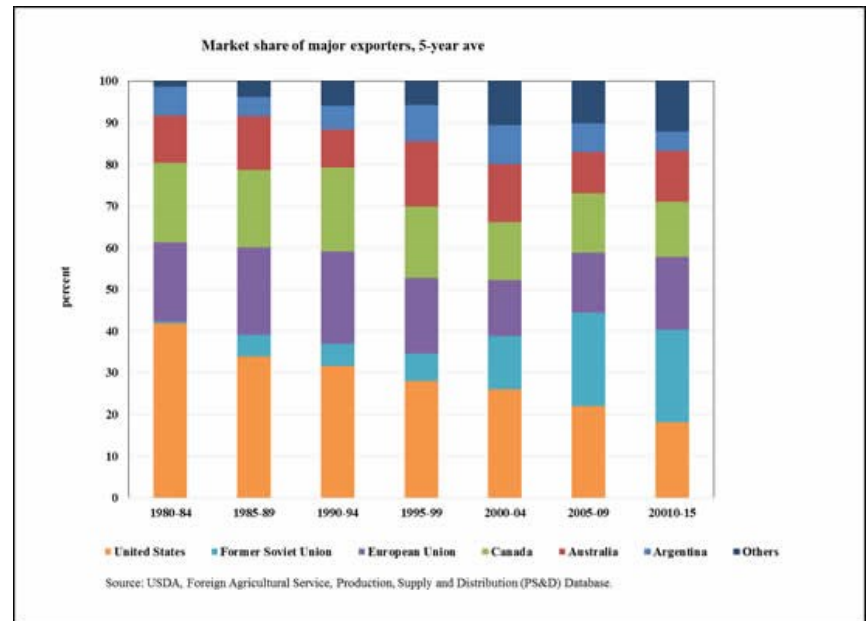
# Australian Wheat Overview



Source: ABARES Crop Report (2016/17 estimates), Pulse Australia Crop Report

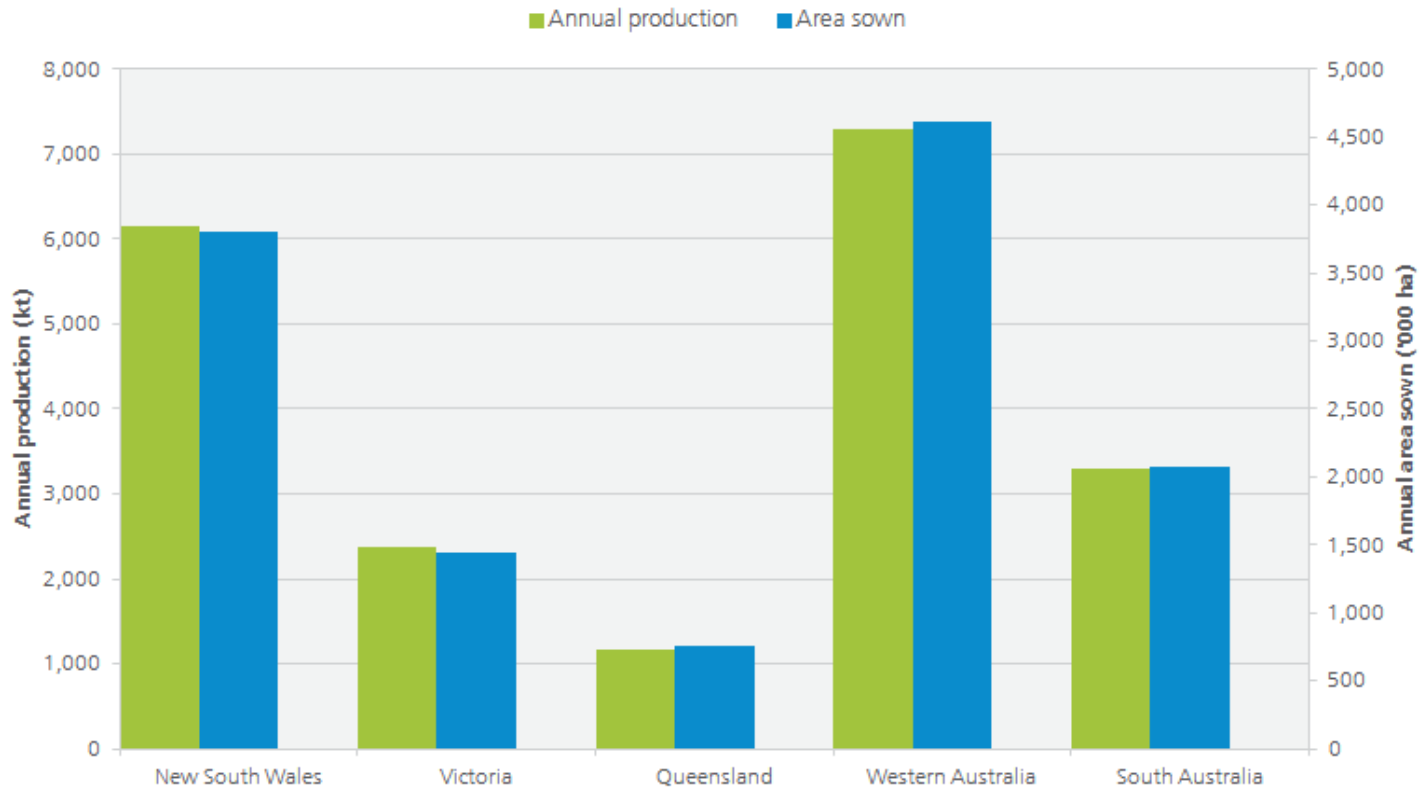
Australia is one of the top 5 exporting nations for wheat. Australia has kept it's market share relatively stable

Australia is a major producer of wheat globally and wheat is also the largest grain crop domestically





# Australian Wheat Overview



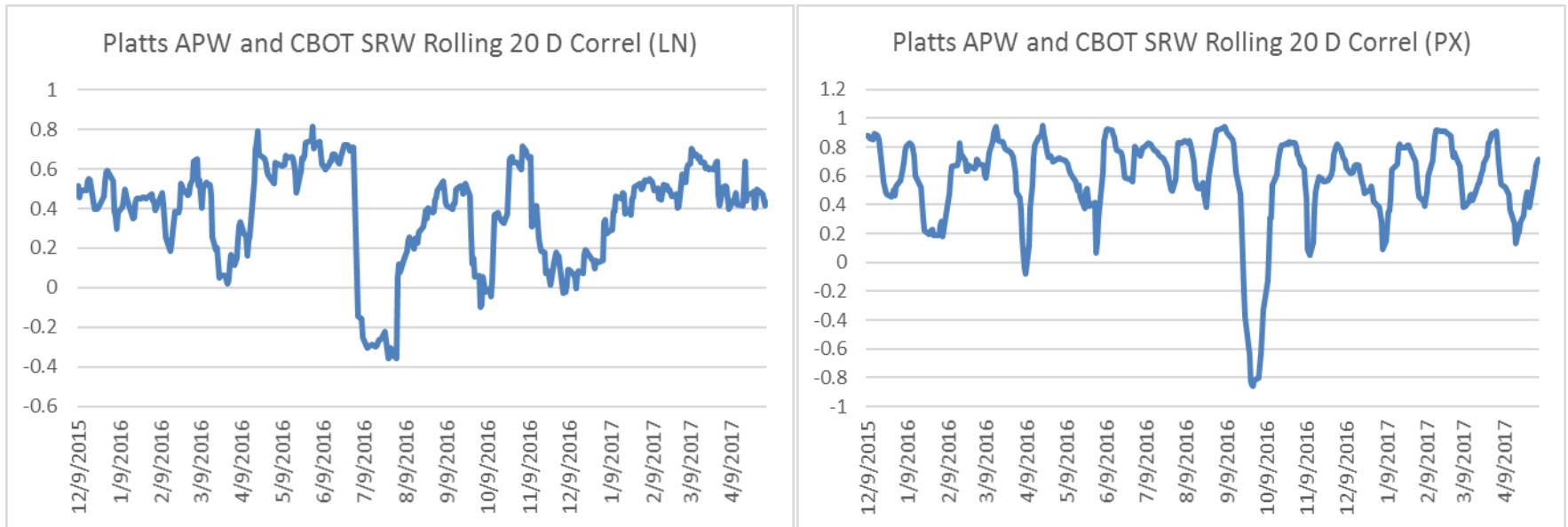
Source: Land Commodities Research

© Land Commodities

Above graph uses data from the crop years 2007/2008 to 2011/2012

Western Australia is the largest producer of wheat, followed by New South Wales then South Australia.

# Correlations – Western Australian Wheat and Other Wheat



Sources: APW price history provided by Platts  
SRW data provided by CME Group

Low correlations indicate an urgent need for a risk management solution for Australian exporters and importers of Australian wheat



# CME Group Australian Wheat Futures

## Contract Specifications

Contract unit	50 metric tons
Price quote	U.S. dollars and cents per metric ton
Trading hours	Sunday - Friday 5:00 p.m. – 4:00 p.m. CT with a 60-minute break each day beginning at 4:00 p.m.
Tick Size	\$0.25 per MT
Product code	AUW
Settlement Method	Financial
Exchange	CBOT
Venues	CME Globex and CME ClearPort
Expiry	Last business day of the contract month
Floating Price	Arithmetic average of Platts APW Wheat FOB Australia assessments published in the contract month

For more detailed information, please visit <http://www.cmegroup.com/trading/agricultural/grain-and-oilseed/australian-wheat-fob-futures.html>

# Inter Dealer Brokers (IDBs)

## SCB

James McKay  
[James@starcb.com](mailto:James@starcb.com)  
+65 6681 6460

Arnaud Saulais  
[Arnaud@starcb.com](mailto:Arnaud@starcb.com)  
+41 22365 5501

## INTL FCStone

Brett Cooper  
[Brett.Cooper@intlfcstone.com](mailto:Brett.Cooper@intlfcstone.com)  
+61 28 094 2000

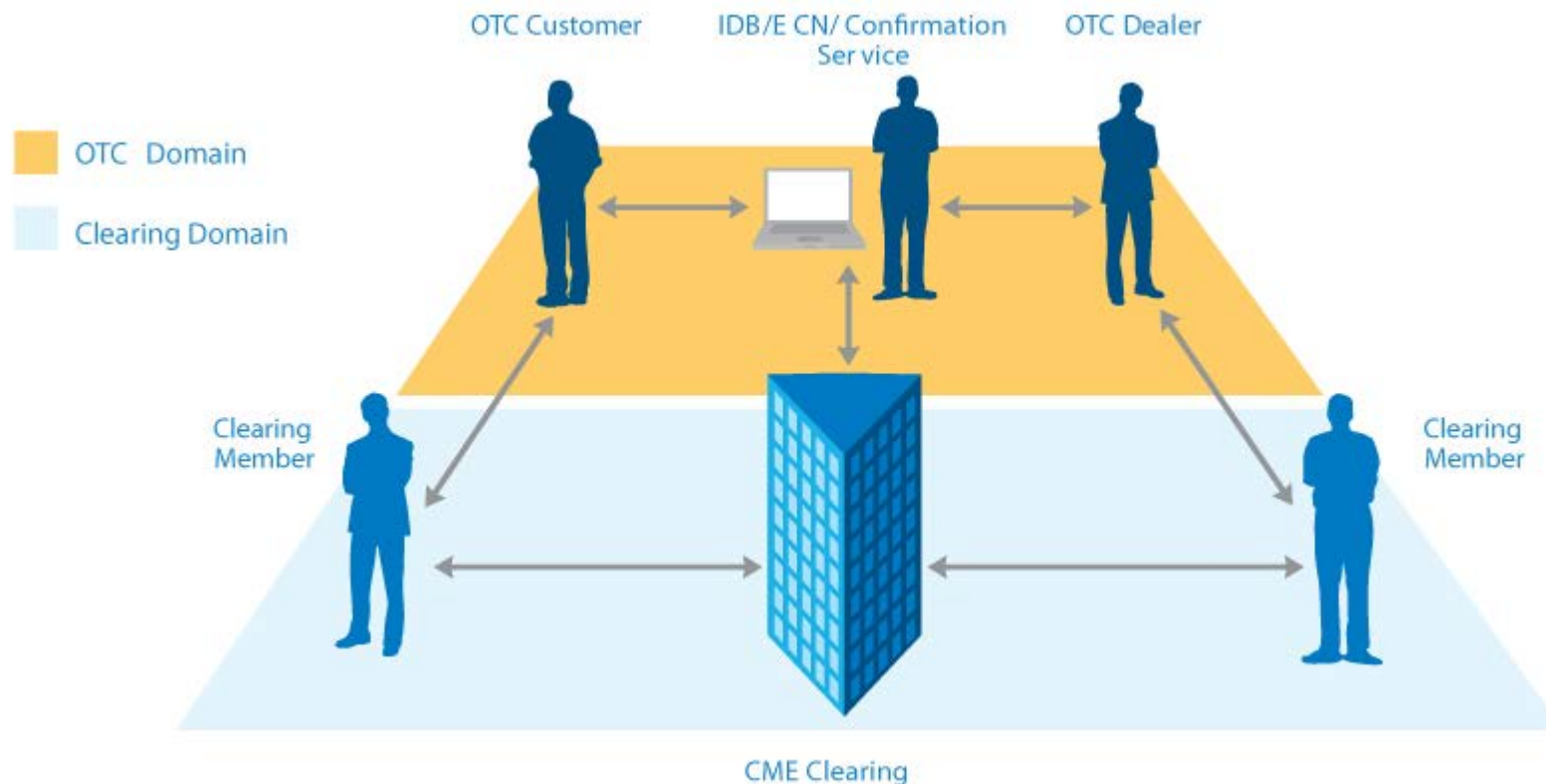


# Trade Venues

- **CLOB** – Central Limit Order Book
- **OTC** – Over the Counter
- **Physical brokers** have always been present in the market matching buyers and seller of the physical commodity. Typically this is done in “informal” call around markets
- **Futures brokers** focus on executing the orders given to them by customer in CLOB of the regulated futures market.
- **Swaps brokers (Inter Dealer Brokers)** represent a hybrid between the two. They call around to find the two sides of the trade and then execute them in the futures market using a block or cross functionality

## Industry Leading Risk Management – Cleared OTC

CME Clearing has evolved its proven risk management policies and financial safeguards to meet the demands of the growing OTC market

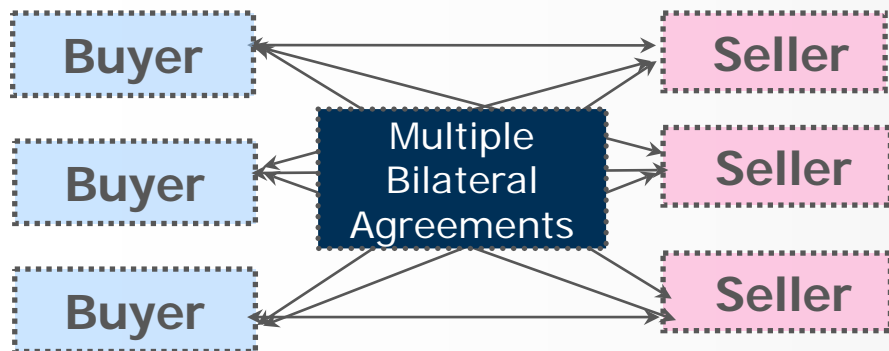


- Complementary to existing OTC trade execution systems
- Extensive and expanding product line

- Portfolio margining
- Credit controls

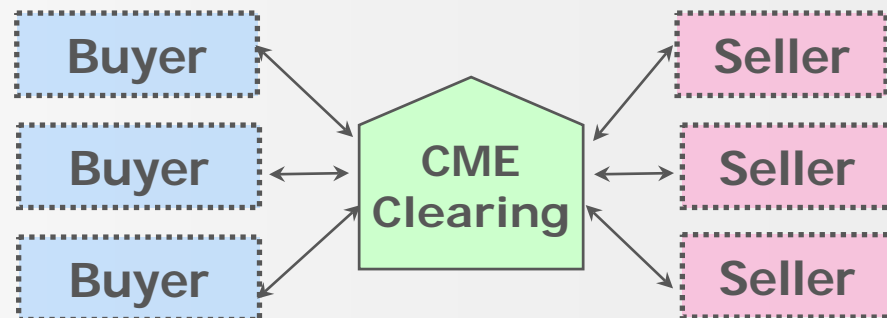
# What is Clearing?

## OTC Market Without a Central Clearing Counterparty



- Buyers and sellers consummate deals on their own
  - Sellers must accept each buyer's credit
  - Buyers must accept each seller's credit
- Pricing is differentiated by quality of counterparty
- Buyer and seller have to negotiate to close out a trade

## OTC Market With a Central Clearing Counterparty



- Buyers and sellers execute trades with each other
- Buyers and sellers submit trade to CME for clearing
  - Buyer and seller are guaranteed performance by CME Clearing
  - Buyer and seller no longer have credit exposure to one another
- Parties close out transactions with any party in the marketplace

# Central Counterparty Model Advantages

## Mitigation of counterparty credit risk:

- CME guarantees the performance of contracts and removes risk of counterparty default
- CME acts as the central counterparty to all transactions

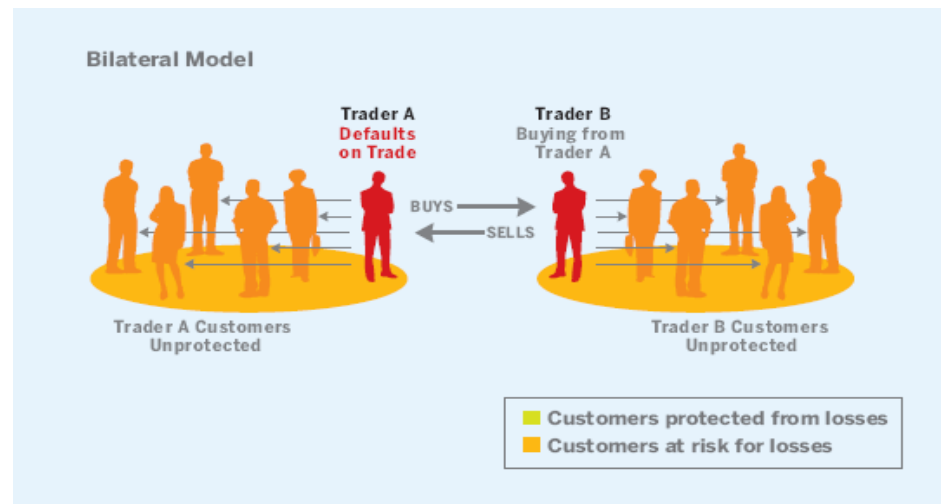
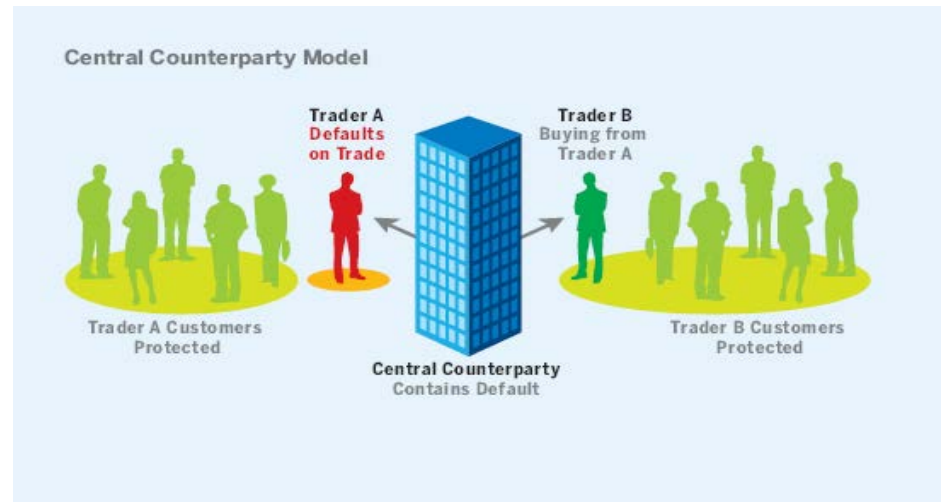
## Market expansion:

- Increases customer access to more counterparties; and opens credit lines to restore liquidity; gets best bid/offer possible

## Positions are netted:

- Offsetting trades are closed out
- Reduced capital requirements

## Simplified legal structure for trade positions



# New Complimentary AgResource Market Report



## Australian Wheat Market Analysis

Prepared by AgResource

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Australia is one of the top five wheat exporting countries in the world, meeting demand from the Asia Pacific and Middle East regions, including countries like Indonesia, Japan, South Korea, Malaysia and Vietnam. We are proud to partner with AgResource to bring you reports on this important wheat market.

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# FAQs

## **What is the underlying reference price?**

The Australian Wheat FOB (Platts) Futures contract (Product Code: AUW) is based on the price assessment “APW Wheat FOB Australia” published by Platts.

## **What is the Platts APW Wheat FOB Australia?**

Platts APW Wheat FOB Australia reflects the spot physical price for Australian wheat exports.

This price assessment represents the daily tradable value of Australian Premium White (APW) wheat, with a minimum of 10.5% protein (on an 11% moisture basis), a maximum of 12.5% total moisture, a minimum falling number of 300 seconds and a typical flour wet gluten of 24.5%.

Other grades of milling wheat are normalized to APW, making Platts APW wheat assessment a suitable proxy for the whole sector.

Platts APW Wheat FOB Australia predominantly reflects export spot transactions from Western and Southern Australia. Exports from other Australian locations may still be monitored for pricing consistency. Also it encompasses trade data from across Asia and the Middle East, with transactions agreed on a CFR basis normalized back to FOB using prevailing spot freight rates.

The assessment’s volume, location, and timing, reflect typical Australian wheat exports, normalized to 30,000 mt loading in Kwinana, Western Australia, in 60-90 days. It is assessed in US dollars per metric ton at a daily timestamp of 1630 Singapore time.

## **How is the final settlement price of the futures contract determined?**

The final settlement price is equal to the arithmetic average of the price assessment “APW Wheat FOB Australia” published by Platts for each day that it is determined during the contract month, rounded to the nearest \$0.25 increment. Final settlement shall be accomplished by cash settlement. Payment is made or received through the Clearing House in accordance with normal settlement procedures based on the final settlement price.

# FAQs

Final Settlement Example: CME Australia Wheat FOB (Platts) Futures December 2016 Contract

Date	Platts APW Wheat FOB Australia Assessment Price
12/1/2016	\$197
12/2/2016	\$197
12/5/2016	\$196
12/6/2016	\$195.5
12/7/2016	\$195
12/8/2016	\$199
12/9/2016	\$200
12/12/2016	\$198.5
12/13/2016	\$200
12/14/2016	\$200
12/15/2016	\$201
12/16/2016	\$200.5
12/19/2016	\$200
12/20/2016	\$197
12/21/2016	\$197.5
12/22/2016	\$197
12/23/2016	\$198
12/27/2016	\$198
12/28/2016	\$198
12/29/2016	\$196.5
12/30/2016	\$196.5
<b>Average/Final Settlement</b>	<b>\$198</b>

## Are there price limits?

There are no price limits.

## The futures contract is available on ClearPort for submission for clearing. How does it work?

For example, with certain requirements met, the futures contract can be privately negotiated as block trades and registered through ClearPort for clearing.

## What are the requirements for block trade?

There are minimum quantity and reporting time requirements. The minimum block size is 5 contracts, and trades need to be reported within 5 minutes of execution.

## What are the hours for trade entry on CME ClearPort for clearing?

Trades may be entered on CME ClearPort Sunday – Friday from 5:00 p.m. to 4:00 p.m. CT, with a 60-minute pause each day from 4:00 p.m. to 5:00 p.m. CT.

## Are trades executed at 1.30 pm US Central Time for today or tomorrow's trade?

All trades executed through 4:00 p.m. CT will be considered today's trade.



# FAQs

## What are the Position Limits?

The Australian Wheat FOB (Platts) Futures has a Spot Month Limit of 2,000 contracts. Single Month Accountability Level and All Month Accountability Level are both set at 3,000 contracts.

## What is the listing schedule?

The Australian Wheat FOB (Platts) Futures is listed for 12 consecutive months.

## I am a bona-fide hedger and I need to exceed Position Limits. Can I apply for a hedge exemption?

Yes, you can apply for a hedge exemption. Market participants may be eligible to receive an exemption from Position Limits in accordance with Rule 559 based on having bona fide hedging positions (as defined by CFTC Regulation § 1.3(z)(1)), risk management positions and/or arbitrage and spread positions. To obtain an exemption application or for further information on the exemption application process, please contact us at

[Hedgeprogram@cmegroup.com](mailto:Hedgeprogram@cmegroup.com)

## How do I start trading this contract?

There are various ways you can begin trading this contract depending on your situation, but this is the simplest and most straightforward process. Contact [GAMAsia@cmegroup.com](mailto:GAMAsia@cmegroup.com) or any of the Inter Dealer Brokers (IDBs) that service this market and they will guide you along.

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**Step 1:** Register on CME Clearport

Contact: [GAMAsia@cmegroup.com](mailto:GAMAsia@cmegroup.com)

**Step 2:** Appoint an Inter Dealer Broker (IDB) that services this market

INTL FCStone  
Brett Cooper Brett.Cooper@intlfcstone.com  
+61 28 094 2000

Starsupply  
James McKay James@starcb.com  
+65 6681 6460

Arnaud Saulais Arnaud@starcb.com  
+41 22365 5501

**Step 3:** Request your CME Group Clearing Firm to permission your chosen IDB for trade submission

Contact your Clearing Firm or for more help, contact: [GAMAsia@cmegroup.com](mailto:GAMAsia@cmegroup.com)

