

MU Guide

Agricultural Commodity Futures Contract Specifications

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This guide provides information about commodity exchange markets and contract specifications for selected agricultural commodities common to Missouri. It is important that you as an agricultural producer have a clear understanding of the operation of the exchange market and know exactly the specifications of the commodity contract you are about to enter into.

Agricultural exchange information

Commodity exchanges can make extensive information resources available to you. The Chicago Board of Trade and Chicago Mercantile Exchange have many free publications that explain topics ranging from the duties of a floor trader to understanding and using basis information. Much of this information is available at the Web sites of the various commodity exchanges.

Two primary regulatory bodies oversee futures and options trading: the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA). See the list below.

Contract specifications

Every agricultural commodity contract has specifications unique to that commodity. Chicago Mercantile Exchange feeder and live cattle futures/options contracts have weight specifications of 50,000 pounds and 40,000 pounds, respectively, corresponding to the approximate weight of a semitrailer load of feeder and live cattle. Additionally, each commodity contract price quote is expressed differently, and changes in the price

quote differ by commodity. The contract specification information listed below is intended to help producers and agribusinesses better understand futures/options contract specifications.

Various commodities are traded at more than one commodity exchange. For example, corn is traded at the Chicago Board of Trade and MidAmerica Commodity Exchange. The difference in these contracts is that the Chicago Board of Trade contract is for 5,000 bushels (full contract) of corn per contract and the MidAmerica Commodity Exchange contract is for 1,000 bushels (mini-contract). You should be aware of the difference in trading volume between these markets. Lack of adequate trading volume can cause difficulty when entering or exiting the market; however, mini-contracts can be useful to those lacking finances or the production quantity necessary to purchase or sell a full contract.

Table 1 shows contract specifications for various agricultural commodities. The **Futures** column heading represents the commodity being traded. **Exchange** refers to the commodity exchange where the listed commodity is traded. **Contract size** refers to the size of the contract being traded. **Trading hours** refers to the hours of trading of that commodity at the given commodity exchange. **Minimum fluctuation** refers to the change in overall value of the contract from a unit movement in the price quoted (for instance, if the CBOT corn price increases by $\frac{1}{4}$ cent, the contract increases in value by \$12.50, $\$0.0025 \times 5000$ bu).

Commodity exchanges

Chicago Mercantile Exchange (CME)
(312) 930-1000, Fax: (312) 466-4410
Internet: <http://www.cme.com>

MidAmerica Commodity Exchange (MACE)
(312) 341-3392, (800) 572-3276
Marketing (312) 435-7239
Internet: <http://www.midam.com>

Kansas City Board of Trade (KCBT)
(800) 821-5228, Fax: (816) 753-3944
Internet: <http://www.kcbt.com>

Chicago Board of Trade (CBOT)
(312) 435-3500, Fax: (312) 341-3168
Internet: <http://www.cbot.com>

New York Board of Trade
(New York Cotton Exchange, NYCE)
(212) 748-3365
Internet: <http://www.nybot.com>

Regulatory bodies

Commodity Futures Trading Commission (CFTC)
(202) 418-5080, Fax: (202) 418-5525
Internet: <http://www.cftc.gov>

National Futures Association (NFA)
(800) 621-3570, Fax: (312) 781-1467
Internet: <http://www.nfa.futures.org>

Deliverable versus cash-settled commodities

Two classes of agricultural commodities typically referred to in trading are *deliverable* and *cash-settled* commodities. Deliverable commodities are those for which the short position (seller) has the right, but not the obligation, to make delivery to a specified location for which the long position (buyer) has the obligation to take delivery. For instance, corn is a deliverable commodity. A seller (short) could make delivery at one of the specified delivery locations, and the buyer (long)

would have to take delivery of the corn at that location. Other deliverable commodities include wheat, soybeans, pork bellies and live cattle.

Cash-settled commodities are those for which a cash settlement can be made at the end of the trading period. For instance, feeder cattle are a cash-traded commodity. If you held a short position until expiration, you would not have the right to make delivery. Instead, you would cash settle your short position, much like offsetting a contract by buying. You should be aware of the settlement terms of the commodity you are trading.

Table 1. Contract specifications for selected agricultural commodities.

Futures	Exchange	Contract size	Trading hours	Minimum fluctuation
FOOD AND FIBER				
Butter	CME	40,000 lb	8:00–13:10	2.5¢/cwt = \$10.00
Cheddar cheese	CME	40,000 lb	8:00–13:10	2.5¢/cwt = \$10.00
Cotton, No. 2	NYCE	50,000 lb	9:30–13:40	1/10¢/cwt = \$50.00
BFP Milk	CME	200,000 lb	8:00–13:10	1¢/cwt = \$200.00
GRAINS AND OILSEEDS				
Corn	CBOT	5,000 bu	9:30–13:15	1/4¢/bu = \$12.50
Corn	MACE	1,000 bu	9:30–13:45	1/8¢/bu = \$1.25
Oats	CBOT	5,000 bu	9:30–13:15	1/4¢/bu = \$12.50
Oats	MACE	1,000 bu	9:30–13:45	1/8¢/bu = \$1.25
Rough rice	CBOT	2,000 cwt	9:15–13:30	1/2¢/cwt = \$10.00
Soybeans	CBOT	5,000 bu	9:30–13:15	1/4¢/bu = \$12.50
Soybeans	MACE	1,000 bu	9:30–13:45	1/8¢/bu = \$1.25
Soybean meal	CBOT	100tons	9:30–13:15	10¢/ton = \$1.00
Soybean meal	MACE	50 tons	9:30–13:45	10¢/ton = \$5.00
Soybean oil	CBOT	60,000 lb	9:30–13:15	1¢/cwt = \$6.00
Soybean oil	MACE	30,000 lb	9:30–13:45	1¢/cwt = \$3.00
Wheat	CBOT	5,000 bu	9:30–13:15	1/4¢/bu = \$12.50
Wheat	KCBT	5,000 bu	9:30–13:15	1/4¢/bu = \$12.50
Wheat	MACE	1,000 bu	9:30–13:45	1/8¢/bu = \$1.25
LIVESTOCK				
Feeder cattle	CME	50,000 lb	9:05–13:00	2.5¢/cwt = \$12.50
Live cattle	CME	40,000 lb	9:05–13:00	2.5¢/cwt = \$10.00
Cattle	MACE	20,000 lb	9:05–13:15	2.5¢/cwt = \$5.00
Boneless beef	CME	20,000 lb	8:50–13:00	1/10¢/cwt = \$20.00
Boneless beef trimmings	CME	20,000 lb	8:50–13:00	1/10¢/cwt = \$20.00
Stocker cattle	CME	25,000 lb	9:10–13:05	5¢/cwt=\$12.50
Lean hogs	CME	40,000 lb	9:10–13:00	2.5¢/cwt=\$10.00
Lean hogs	MACE	20,000 lb	9:10–13:15	2.5¢/cwt=\$5.00
Pork bellies	CME	40,000 lb	9:10–13:00	2.5¢/cwt=\$10.00

Note: Many of these commodities have options markets that are traded based on similar contract specifications.



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