

Agricultural Commodity Futures Contract Specifications

This guide provides information about commodity exchange markets and contract specifications for selected agricultural commodities common to Missouri. As an agricultural producer or agribusiness person, you need to have a clear understanding of the operation of the exchange market and to know the exact 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 (CBOT) and Chicago Mercantile Exchange (CME), merged as the CME Group, 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 on the websites 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 for contact information.

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 agribusiness persons better understand futures/options contract specifications.

Various commodities are traded at different quantity levels to accommodate small and large hedgers. For example, corn is traded in full contracts (5,000 bushels) and

mini-contracts (1,000 bushels) both on the CME Group's CBOT trading floor and through their electronic exchange system, GLOBEX. You should be aware of the difference in trading volume, or number of futures contracts traded during a given period of time, between these contracts. The mini-contract is thinly traded. 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 buy or sell a full contract.

Table 1 shows contract specifications for various agricultural commodities. The *Futures* column heading represents the commodity being traded. *Contract size* refers to the size of the contract being traded. *Price quote* refers to the units in which the price is quoted.

Deliverable vs. 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 exchange-specified delivery locations, and the buyer (long) would have to take delivery of the corn at that location. The order of taking delivery by a long position is related to the long position holder longest in the market. For this reason, many traders holding long futures positions exit or roll forward the contracts before a futures contract enters its expiration month. 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-settled 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.

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Table 1. Contract specifications for select agricultural commodities.

Futures	Contract size	Price quote
Food and fiber		
Butter	20,000 lb	¢/lb
Cheese	20,000 lb	¢/lb
Class III milk	200,000 lb	¢/cwt
Cocoa	10 metric tons	\$/ton
Coffee	37,500 lb	\$/lb
Cotton No. 2	50,000 lb	\$/lb
Frozen orange juice	15,000 lb	¢/lb
Random length lumber	110,000 board feet	\$/mbf
Sugar No. 11	112,000 lb	\$/lb
Grains and oilseeds		
Corn	5,000 bu	¢/bu
Corn	1,000 bu	¢/bu
Distillers dried grains	100 short tons	\$/short ton
Oats	5,000 bu	¢/bu
Oats	1,000 bu	¢/bu
Rough rice	2,000 cwt	¢/cwt
Soybeans	5,000 bu	¢/bu
Soybeans	1,000 bu	¢/bu
Soybean meal	100 tons	\$/short ton
Soybean meal	50 tons	\$/short ton
Soybean oil	60,000 lb	¢/lb
Soybean oil	30,000 lb	¢/lb
Synthetic soybean crush	50,000 bu	¢/bu
Crude palm oil	25 metric tons	\$/metric ton
Wheat	5,000 bu	¢/bu
Wheat	1,000 bu	¢/bu
Livestock		
Feeder cattle	50,000 lb	¢/lb
Live cattle	40,000 lb	¢/lb
Lean hogs	40,000 lb	¢/lb
Lean hogs	20,000 lb	¢/lb
Pork bellies	40,000 lb	¢/lb
Fuels		
Ethanol	29,000 gal	\$/gal
Natural gas	10,000 mmBtu	\$/mmBTU
Heating oil	42,000 lb	\$/gal

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

Abbreviations: bu = bushel; cwt = hundredweight; gal = gallon; lb = pound; mbf = 1,000 board feet; mmBtu = million British thermal units.

Commodity exchanges

CME Group

[previously Chicago Mercantile Exchange (CME)]
 [includes Chicago Board of Trade (CBOT), New York Mercantile Exchange (NYMEX) and Commodity Exchange (COMEX)]
 Toll-free: 866-716-7274
 Phone: 312-930-1000
 Fax: 312-466-4410
<http://www.cmegroup.com>
 See <http://www.cmegroup.com/product-codes-listing/cbot-market.html> for product listings and rules by original exchange

Chicago Board of Trade (CBOT)

Phone: 312-435-3500
 Fax: 312-341-3168
<http://www.cmegroup.com/company/cbot.html>

Kansas City Board of Trade (KCBT)

Toll-free: 800-821-5228
 Fax: 816-753-3944
<http://www.kcbot.com>

ICE Futures U.S.

[previously New York Board of Trade (NYBOT); New York Cotton Exchange (NYCE) prior to that]
 Phone: 212-748-4000
<https://www.theice.com>

Regulatory bodies

Commodity Futures Trading Commission (CFTC)

Phone: 202-418-5080
 Fax: 202-418-5525
<http://www.cftc.gov>

National Futures Association (NFA)

Toll-free: 800-621-3570
 Fax: 312-781-1467
<http://www.nfa.futures.org>

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ALSO FROM MU EXTENSION PUBLICATIONS

MU Extension publications G601 to G611 cover agricultural risk management. Topics include futures, options, hedging, basis and price forecasting.

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