

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. 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.

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.

Table 1. Contract specifications for select agricultural commodities.

Futures	Contract size	Price quote
Dairy and cotton		
Butter	20,000 pounds	¢/pound
Cheese	20,000 pounds	¢/pound
Class III milk	200,000 pounds	¢/hundredweight
Cotton No. 2	50,000 pounds	\$/pound
Grains and oilseeds		
Corn	5,000 bushels	¢/bushel
Corn	1,000 bushels	¢/bushel
Distillers dried grains	100 short tons	\$/short ton
Oats	5,000 bushels	¢/bushel
Oats	1,000 bushels	¢/bushel
Rough rice	2,000 hundredweight	¢/hundredweight
Soybeans	5,000 bushels	¢/bushel
Soybeans	1,000 bushels	¢/bushel
Soybean meal	100 tons	\$/short ton
Soybean meal	50 tons	\$/short ton
Soybean oil	60,000 pounds	¢/pound
Soybean oil	30,000 pounds	¢/pound
Synthetic soybean crush	50,000 bushels	¢/bushel
Crude palm oil	25 metric tons	\$/metric ton
Wheat	5,000 bushels	¢/bushel
Wheat	1,000 bushels	¢/bushel
Livestock		
Feeder cattle	50,000 pounds	¢/pound
Live cattle	40,000 pounds	¢/pound
Lean hogs	40,000 pounds	¢/pound
Fuels		
Ethanol	29,000 gallons	\$/gallon
Natural gas	10,000 mmBtu	\$/mmBtu
Heating oil	42,000 gallons	\$/gallon

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

Abbreviations: 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)

- Phone: 866-716-7274

- Website: <https://cmegroup.com>

• ICE Futures US

- Previously New York Board of Trade (NYBOT); New York Cotton Exchange (NYCE) prior to that

- Phone: 212-748-7400

- Website: <https://theice.com>

Regulatory bodies

• Commodity Futures Trading Commission (CFTC)

- Phone: 202-418-5080

- Fax: 202-418-5525

- Website: <https://cftc.gov>

• National Futures Association (NFA)

- Phone: 800-621-3570

- Fax: 312-781-1467

- Website: <https://www.nfa.futures.org>

Original authors: Joe Parcell and Vern Pierce