Commodity Challenge

Section I: Introduction to Futures and Options Markets

Chapter 6: Standardized terms of the futures contract

Learning objectives

- Deliverable grades and delivery points
- Daily price limits
- Deliverable months

Key terms

Futures contract: A contract to deliver or take delivery of a commodity in some future month at a price determined by auction.

Convergence: The process by which the price of a futures contract moves toward the price of the underlying cash commodity.

Nearby contract: The nearest active trading month of a futures contract. The nearby month rolls forward to the next month on or about the first day of a delivery month. Sometimes called the lead or front month.

Deferred contracts: Futures contracts traded further from expiration than the nearby contract. Sometimes called the back months.

The Futures Contract

A futures contract is a standardized agreement to deliver or take delivery of a commodity in a future month at a price determined by auction. Only a small percentage of futures contracts result in actual delivery, but the delivery mechanism is essential. The possibility of delivery forces cash and futures prices to converge at delivery, linking the two markets. This link allows futures contracts to serve as a reliable temporary substitute for later cash market transactions.

All terms of a futures contract-except price-are standardized by the exchange. Using the Chicago Board of Trade (CBOT) corn contract as an example, the following sections outline common standardized terms.

Delivery Months

Delivery months are set to align with key points in the production and marketing year, such as planting, harvest, and waterway schedules. Ticker symbols for major commodities are shown below.

Commodity Ticker Symbols

Commodity	Exchange	Ticker Symbol
Corn	CBOT	ZC
Soybeans	CBOT	ZS
Sugar #11	ICE U.S.	SB
Wheat	CBOT	ZW
Soybean Oil	CBOT	ZL
Soybean Meal	CBOT	ZM
Live Cattle	CME	LE
Lean Hogs	CME	HE
Wheat	KCBOT	KE
Cotton	ICE U.S.	CT
Coffee	ICE U.S.	KC
Cocoa	ICE U.S.	CC
Canola	ICE Canada	RS
Wheat	MIAX/MGEX	MW
Feeder Cattle	CME	GF
Orange Juice	ICE U.S.	OJ
Class III Milk	CME	DC
Oats	CBOT	ZO

Nearby and Deferred Contracts

The “nearby” contract is the closest active trading month. It rolls forward on or about the first day of the delivery month. For example:

- June → nearby is July
- July 1 → nearby becomes September
- September 1 → nearby becomes December

Deferred contracts are all contracts further out than the nearby month.

Delivery Month Codes

Delivery Month	Code
January	F
February	G
March	H
April	J
May	K
June	M
July	N
August	Q
September	U
October	V
November	X
December	Z

New crop contracts represent the price of the upcoming harvest:

- Corn → December contract
- Soybeans → November contract
- HRW & SRW Wheat → July contract
- HRS Wheat → September contract

A “red” contract refers to the same delivery month one year out (e.g., Jul’28 is the “red July” when Jul’27 is nearby).

Additional Contract Specifications

Contract quantity: 5,000 bushels

Minimum price fluctuation (tick): 1⁄4 cent per bushel ($12.50 per contract)

Daily price limits:

- Corn: 30 cents/bu (as of June 2026)
- Wheat: 45 cents/bu
- Soybeans: 85 cents/bu

There is no limit in the spot month. Limits help reduce default risk and allow time for traders to assess volatile market conditions.

Deliverable grades:

- No. 2 Yellow Corn at contract price
- No. 1 Yellow Corn: +1.5 cents/bu premium
- No. 3 Yellow Corn: -1.5 cents/bu discount

Time of delivery: Seller's choice within the delivery month.

Method of delivery: Shipping certificates (corn), warehouse receipts, or cash settlement for some non-agricultural contracts.

Place of delivery: Designated shipping districts around Chicago, with premiums or discounts for alternative points.

Further readings and resources from the CME Group

- Futures and options education: https://www.cmegroup.com/education/courses.html#filters=futures,agriculture
- Introduction to Grains and Oilseeds: https://www.cmegroup.com/education/courses/introduction-to-grains-and-oilseeds.html
- Hedging with Grain and Oilseed Futures and Options: https://www.cmegroup.com/education/courses/hedging-with-grain-and-oilseed-futures-and-options.html

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Exercise #6

Go play the game!