



Current Report

Cooperative Extension Service • Division of Agricultural Sciences and Natural Resources
Oklahoma State University

Livestock Futures and Options Contract Specifications

Derrell S. Peel
Extension Economist

This Current Report lists the more important specifications of the Chicago Mercantile Exchange (CME) Live Cattle, Feeder Cattle, and Live Hog futures and option contracts. Specifications may be revised from year to year. Actual contract specifications have much more detail and include such things as trading and position limits, duties of buyers and sellers, grading procedures, specific terms and methods of delivery, trading hours, and expiration dates, etc.

Traders should obtain a copy of the contract specifications from the CME or their local broker for such details. Those specifications outlined below are only the major factors necessary to interpret quoted futures prices. Deviations from these specifications mean that the livestock will be either discounted or undeliverable.

Live Cattle Futures Contract Specifications (CME)

Quantity: 40,000 lbs.

Quality: USDA Choice steers, 1050 - 1200 lbs. per head average weight with no individual animal weighing more than 100 lbs. above or 100 below the average weight of the unit.

Yield grade 1,2, 3, or 4 with no more than 4 head of yield grade 4 steers in the unit.

Up to 8 head of Select grade steers may be substituted for Choice grade steers at 3 cents per lb. discount for each Select grade steer.

Dressing percent:
62 percent for units averaging 1050-1125.5 lbs.
63 percent for units averaging 1125.6-1200 lbs.

Daily Price Limit: \$1.50/cwt = \$600/contract

Contract Months: February, April, June, August, October and December

Last Day of Trading: Business day prior to the last five business days of the contract month.

Delivery Tenders: After the first Friday and prior to the last delivery day of the contract month.

Par Delivery Points: Sioux City, Iowa; Omaha, Nebraska; Dodge City, Kansas; Greeley, Colorado; and Amarillo, Texas.

Delivery Methods: At approved stockyards (seller pays cost, yardage, commission, grading, feed, weighing, etc.)

Options on Live Cattle Futures

Contract Size: One Live Cattle futures contract (40,000 lbs.)

Strike Prices: \$2 per hundred pounds (2 cents per lb.) intervals except for nearby contract which is quoted in \$1 per hundred lb. intervals.

Premium Quotations: Cents per lb., \$4 per point e.g. \$2.00 premium = \$800

Contract Months: Same as Live Cattle futures.

Last Day of Trading: Option trading terminates on the first Friday of the delivery month.

Feeder Cattle Futures Contract Specifications (CME)

Quantity: 44,000 lbs.

Quality: USDA Choice steers, 600 - 800 lbs. per head average weight.

Daily Price Limit: \$1.50/cwt = \$660/contract

Contract Months: January, March, April, May, August, September, October, and November

Last Day of Trading: Last Thursday of the month except November which expires the Thursday prior to Thanksgiving.

Cash Settlement: All contracts open at the termination of trading are cash settled against the average feeder steer price for 600 - 800 lb. steers for the seven days ending on the Thursday that trading terminates.

Options on Feeder Cattle Futures (CME)

Contract Size: One Feeder Cattle futures contract (44,000 lbs.)

Strike Prices: \$2 per hundred lb. (2 cents per lb.) intervals.

Premium Quotations: Cents per pound, \$4.40 per point e.g. \$2.00 premium = \$880

Contract Months: Same as Feeder Futures.

Last Day of Trading: Same as Feeder Futures.

Live Hog Futures Contract Specifications (CME)

Quantity: 40,000 lbs.

Quality: USDA No. 1, 2, and 3 grade barrows and gilt, 230-260 lbs. average weight. At least 150 hogs in a delivery unit must fall in the weight range.

Weight deviations for delivery:

215 - 220 lbs., \$3.00/cwt discount

220 - 230 lbs., \$1.00/cwt discount

260 - 270 lbs., \$1.00/cwt discount

270 - 280 lbs., \$3.00/cwt discount

Hogs less than 215 or more than 280 lbs. are not deliverable.

Daily Price Limit: \$1.50/cwt = \$600/contract

Contract Months: February, April, June, July, August, October, and December

Last Day of Trading: Business day prior to the last five business days of the contract month.

Par Delivery Points: Sioux City, Iowa; Omaha, Nebraska; Peoria, Illinois; and Sioux Falls, South Dakota

Delivery Methods: At approved stockyards (seller pays cost, yardage, commission, grading, feed, weighing, etc.)

Options on Live Hog Futures

Contract Size: One Live Hog futures contract (40,000 lbs.)

Strike Prices: \$2 per hundred lbs. (2 cents per lb.) intervals.

Premium Quotations: Cents per lb., \$4 per point e.g. \$2.00 premium = \$800

Contract Months: Same as Live Hog futures.

Last Day of Trading: Option trading terminates on the first Friday of the delivery month.