

# Commodity INSIGHTS

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March 2004

## RANDOM LENGTH LUMBER FUTURES AND OPTIONS

Chicago Mercantile Exchange (CME) offers Random Length Lumber futures and options on futures. The following table compares the specifications of these contracts:

	<b>Futures</b>	<b>Options on Futures</b>
<b>Trading Unit</b>	110,000 board feet	Same as futures
<b>Contract Months</b>	Jan, Mar, May, Jul, Sep, Nov	Same as futures
<b>Months Listed</b>	7	5
<b>Minimum Fluctuation</b>	\$.10 per 1000 board feet	\$.05 per 1000 board feet
<b>Price Limits</b>	\$10 per 1000 board feet, expandable to \$15. None in the spot month for the expiring contract	None
<b>Options Exercise</b>	NA	On any day that the option is traded
<b>Strike Price Intervals</b>	NA	\$5 per 1000 board feet
<b>Termination of Trading</b>	Business day prior to the 16 <sup>th</sup> calendar day of the contract month	Last business day of the prior calendar month
<b>Trading Hours</b>	9:00 a.m. to 1:05 p.m. (12 p.m. on last trading day)	9:00 a.m. to 1:07 p.m. (1:05 p.m. on last trading day)
<b>Position Limits:</b> <i>Any contract month</i>	435 contracts	Aggregated with futures on a futures-equivalent basis
<b>Ticker Symbol</b>	LB	<i>Calls: KL; Puts: JL</i>

# History of Lumber Futures and Options

Trading in lumber futures began at CME in 1969. At that time the contract called for 40,000 board feet of lumber. Options on futures were introduced in 1987. The contract size has been 110,000 board feet since 2000.

## What Is Random Length Lumber?

The CME futures contract calls for 110,000 board feet of nominal 2x4s in 8- to 20-foot lengths, conforming to a tally specified in the CME Rules, grade stamped #1 or #2 AND BETTER. Primarily, the deliverable species is Western Spruce-Pine-Fir, although several other species may be delivered. The lumber must be manufactured in specified portions of Alberta, British Columbia, California, Idaho, Montana, Nevada, Oregon, Washington or Wyoming. Delivery is made on-track and the buyer is billed for freight to destination from Prince George, British Columbia.

## Further Information

Information about CME Lumber contracts is available on our Web site at:  
[http://www.cme.com/prd/overview\\_LB661.html](http://www.cme.com/prd/overview_LB661.html)



Chicago Mercantile Exchange

### Chicago

Chicago Mercantile Exchange  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
1 312 930-1000  
Fax: 1 312 466-4410  
E-mail: [info@cme.com](mailto:info@cme.com)

### London

Chicago Mercantile Exchange  
Pinnacle House  
23-26 St. Dunstan's Hill  
London EC3R 8HN England  
+44 (0) 20 7623 2550  
Fax: +44 (0) 20 7623 2565

### Tokyo

Chicago Mercantile Exchange  
Level 16, Shiroshima JT Trust Tower  
4-3-1 Toranomom, Minato-ku  
Tokyo 105-6016 Japan  
+81 3 5403 4828  
Fax: +81 3 5403 4646

### Internet

[www.cme.com](http://www.cme.com)

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