

---

# INTRODUCTION TO CORN FUTURES

---

Published date: May 2024



## WHAT IS CORN?



- A tall, warm-season annual cereal grass.
- A starchy vegetable.
- Its seeds are known as corn which is **edible**.
- One of the most extensively grown food crops worldwide.

## WHERE IS CORN FROM?



Corn was domesticated by the natives in **southern Mexico** around 10,000 years ago.

Corn is now cultivated in most U.S. states. and has become a staple food throughout most of the world.

The primary corn production area is:

- the Heartland region
- Iowa
- Illinois

# CORN PLANTING

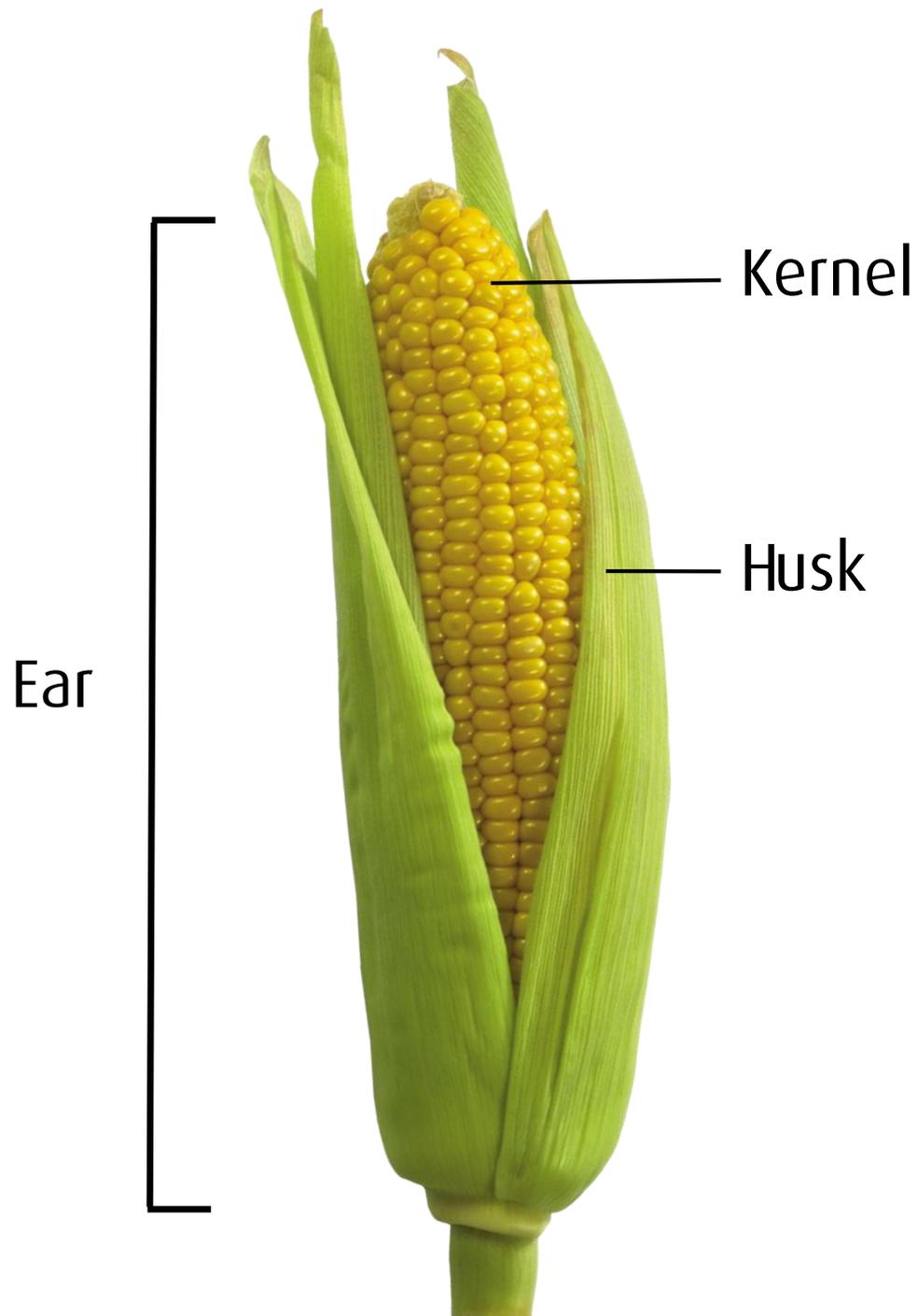
The optimum temperature for planting corn is 16-35°C.

Corn plant requires 6 to 8 hours of direct sunlight daily.

The flowers of corn are wind-pollinated.

Corn takes 60 to 100 days to reach harvest.

# STRUCTURE OF CORN



Corn comes as kernels on a cob and is covered by a husk.

# TYPES OF CORN



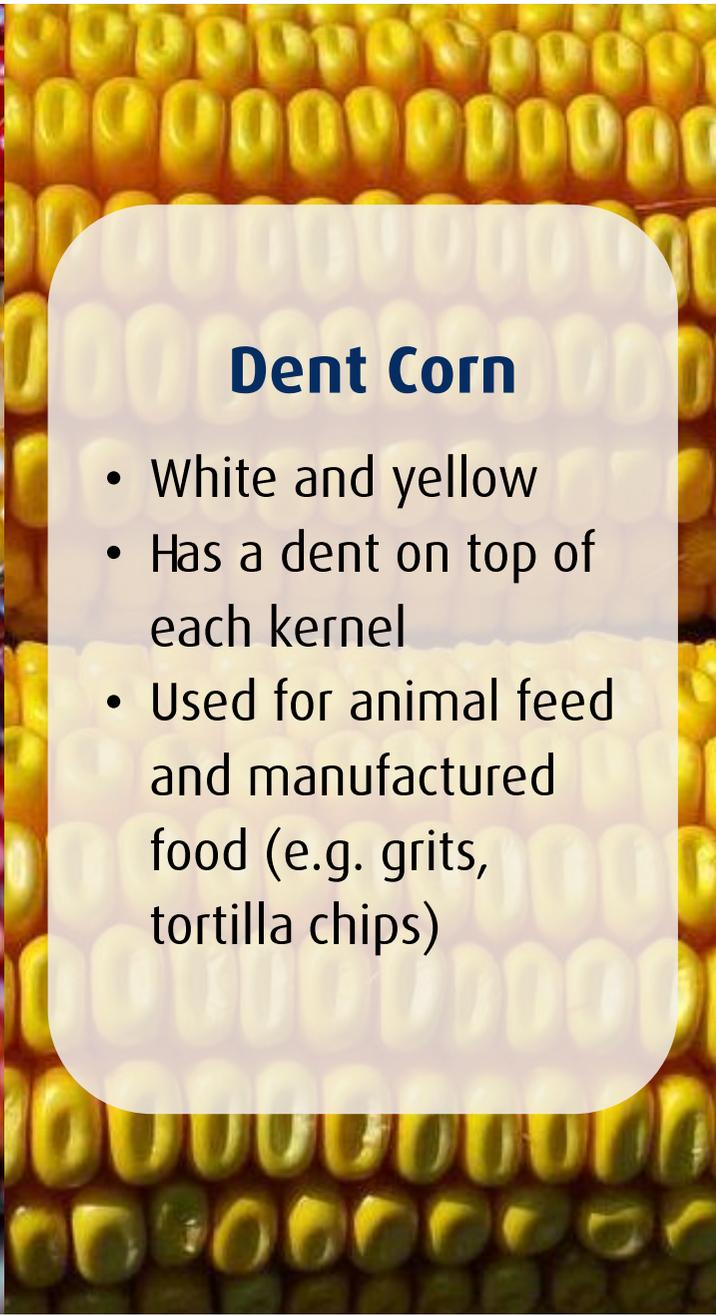
## Sweet Corn

- Yellow, white or bi-colour
- Standard sugary corn
- Is marketed fresh to consumers
- Mostly grown in Northern States



## Flint/Indian Corn

- Red, white, blue, black and gold
- Harder than sweet corn
- Used as fall decorations in U.S.
- Grown in Central and South America



## Dent Corn

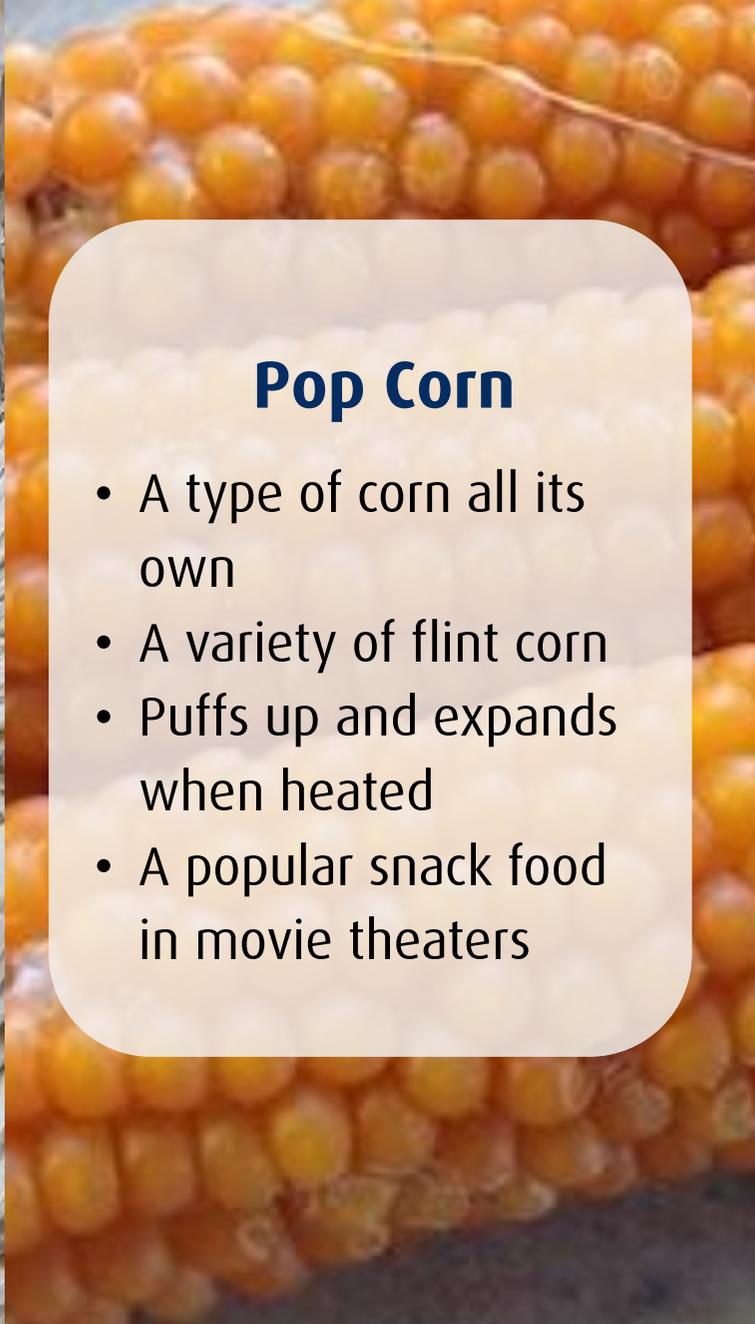
- White and yellow
- Has a dent on top of each kernel
- Used for animal feed and manufactured food (e.g. grits, tortilla chips)

# TYPES OF CORN



## Pod Corn

- Each kernel is enclosed in a husk
- Used for ornamental purposes
- Grown in South and Central America



## Pop Corn

- A type of corn all its own
- A variety of flint corn
- Puffs up and expands when heated
- A popular snack food in movie theaters



## Flour Corn

- Used to make corn flour
- With a soft shell
- Its kernel is soft, mealy and easily ground

# USAGE OF CORN



## Human Food

- Third largest plant-based food source worldwide
- Used for staple food (e.g. tortillas, tamales, arepas), popcorn, corn oil, cornstarch, corn syrup

## Biofuel

- Corn ethanol is combined with gasoline to produce "gasohol"



# USAGE OF CORN



## Livestock Feed

- Corn makes up 50 to 70% of the diets of poultry and pigs.
- Corn gluten is used to feed dairy and beef cattle, poultry, and pigs

## Industry Raw Material

A raw material for industrial products:

- starch
- oil
- alcoholic beverages
- food sweeteners
- cosmetics



## BENEFITS OF CORN

Lower the chances of getting heart disease, cancer and type 2 diabetes.

Prevent colon cancer by feeding healthy bacteria in the digestive tract.

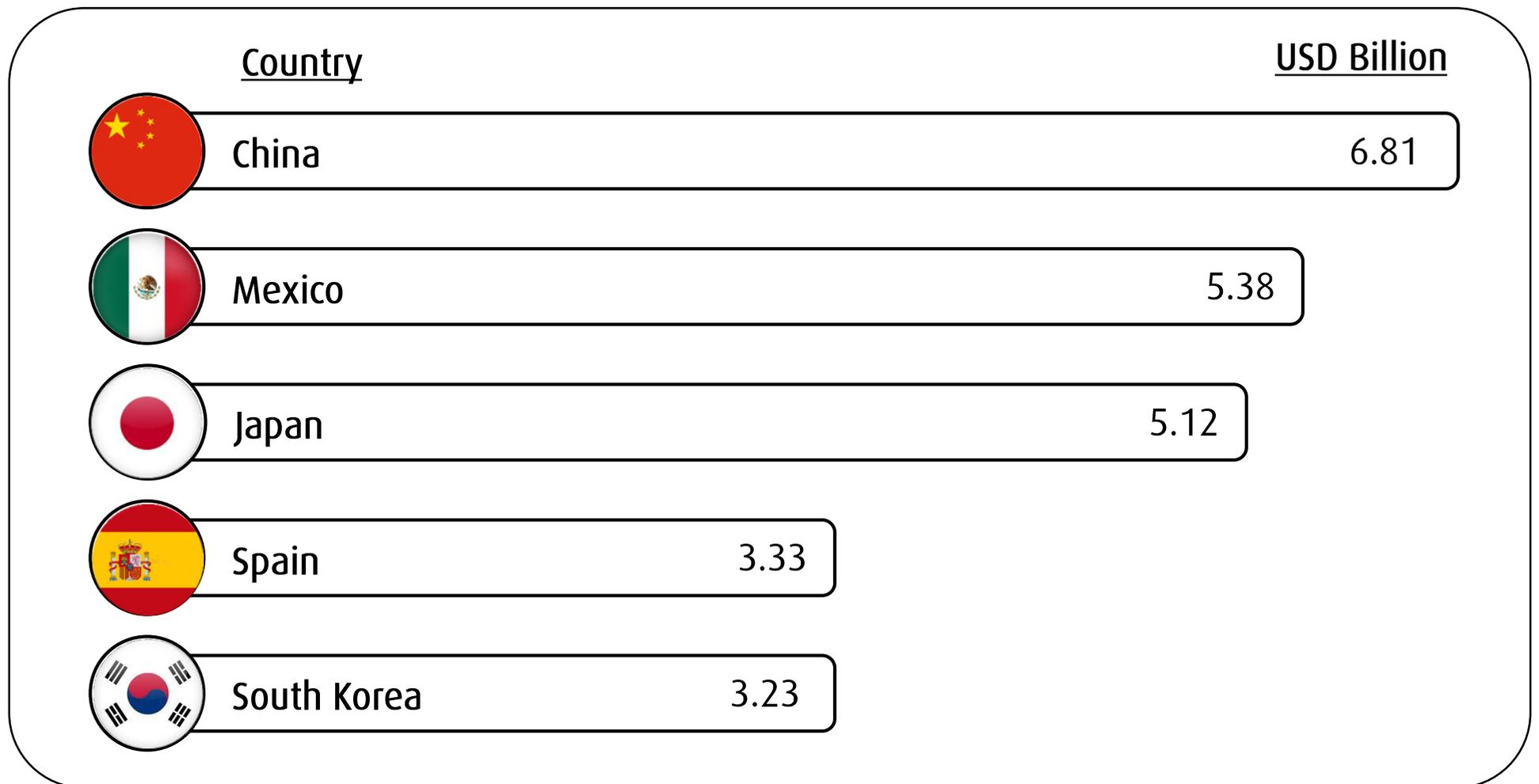
Rich in vitamin C that protects your cells from damage.

Promote better gut health.



# DEMAND FOR CORN

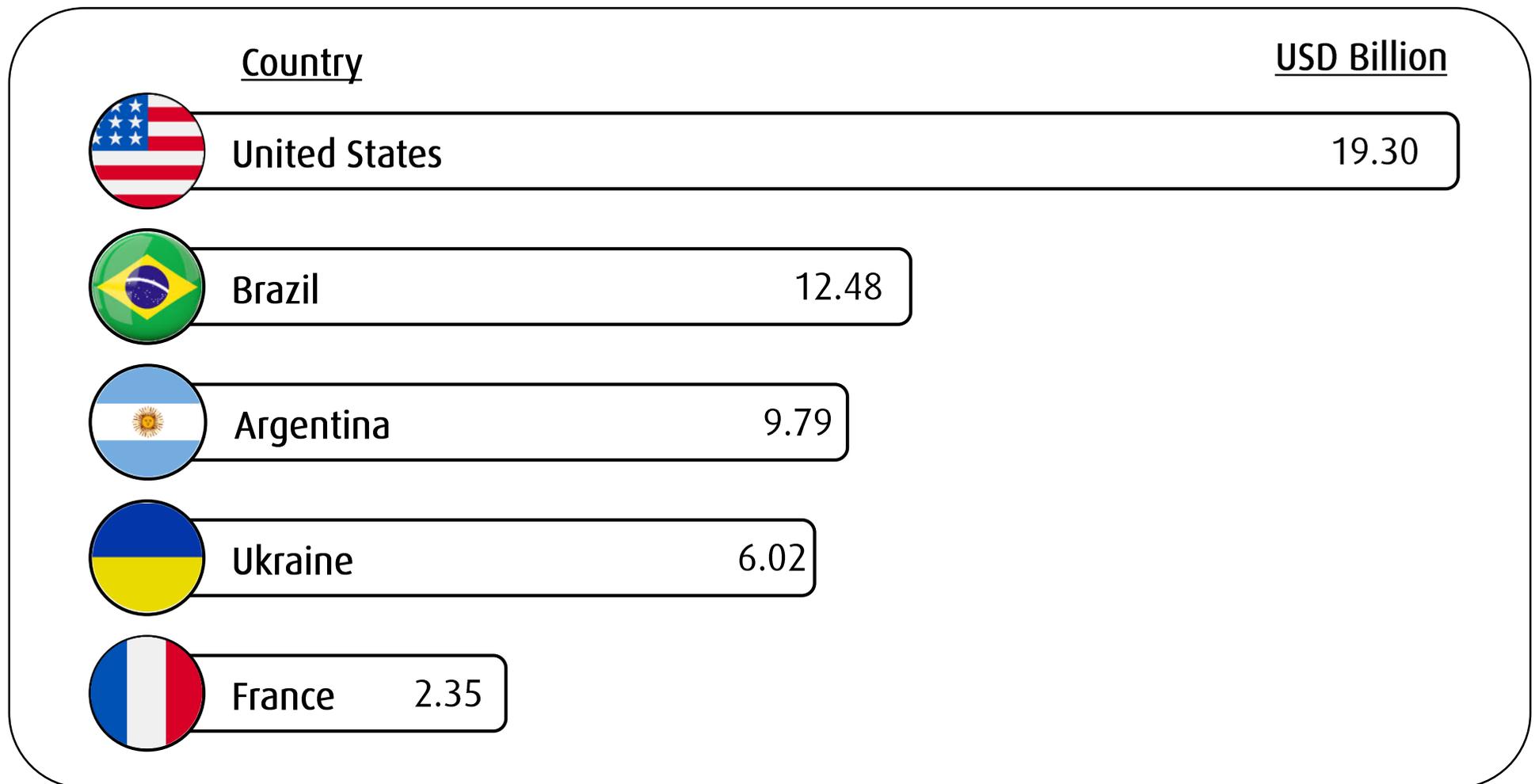
The top 5 global importers of corn in 2022 are shown below:



The largest corn importer, China imported corn primarily from the **United States** (USD 5.26 billion) in 2022.

# SUPPLY OF CORN

The top 5 global exporters of corn in 2022 are shown below:



China, Mexico and Japan are the main destination of corn exports from the United States, the largest exporter of corn.

# FACTORS AFFECTING DEMAND AND SUPPLY

## FOOD CONSUMPTION

Population growth, market development and changes in tastes will influence the demand for corn-based food.



## ANIMAL FEED

Corn demand increases when the animal feed consumption for cattle, poultry and pigs increases.

## **WEATHER**

Adverse weather conditions like droughts and frost can negatively affect corn production, thus reducing supply.



## **PRODUCTION AREA**

The absence of well-drained soil with a minimum temperature of 16°C will impact the total production of corn.

## **GOVERNMENT POLICIES**

Import/export policies, trade agreements and exchange rates can impact the global supply of corn.



## **INDUSTRIAL USE**

Industrial usage of corn to produce starch and alcohol will impact the demand for corn.

# WHAT ARE CORN FUTURES

A fully electronic, exchange-traded contract listed on CBOT under CME Group.

The most active and liquid market in grains.

Summer months (Jun-Aug in the U.S.)  
= active period

Winter months (Dec-Feb in the U.S.)  
= quiet period

A price-hedging tool for companies that rely on corn-related products



## WHY TRADE CORN FUTURES

Gain leveraged exposure to Corn Futures with a small amount of capital

**LEVERAGE**

High liquidity that allows easy market entry and exit

**LIQUIDITY**

Available to trade in both U.S. and Asian market hours

**FLEXIBILITY**

Regulated by a central exchange thus minimising trading risk

**SECURITY**



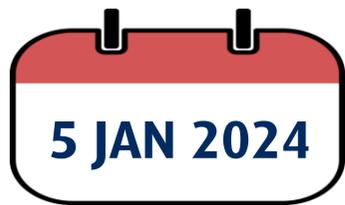
# CONTRACT SPECIFICATIONS

	Corn Futures	Mini Corn Futures
<b>Contract Code</b>	ZC	XC
<b>Underlying Instrument</b>	Corn	Corn
<b>Contract Size</b>	5,000 bushels	1,000 bushels
<b>Minimum Fluctuation</b>	0.25 pt = USD 12.50 (1 pt = USD 50)	0.125 pt = USD 1.25 (1 pt = USD 10)
<b>Settlement Method</b>	Physical delivery	Physical delivery
<b>Contract Month</b>	9 monthly contracts of Mar, May, Sep and 8 monthly contracts of Jul and Dec.	9 monthly contracts of Mar, May, Sep and 8 monthly contracts of Jul and Dec.
<b>Trading Hours</b>	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)

# CORN FUTURES (ZC)

## Trading Examples

### Bullish Market



You think the price of ZC will go up and BUY 1 lot @427.75



You close your position and SELL 1 lot @455.00

Gross Profit  
= Price Difference x Contract Size  
= (455.00 - 427.75) x USD 50  
= USD 1,362.50

### Bearish Market



You think the price of ZC will go down and SELL 1 lot @430.25



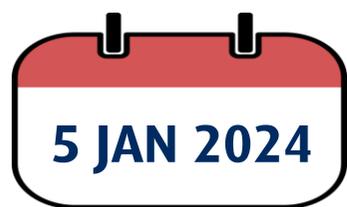
You close your position and BUY 1 lot @406.75

Gross Profit  
= Price Difference x Contract Size  
= (430.25 - 406.75) x USD 50  
= USD 1,175

# MINI CORN FUTURES (XC)

## Trading Examples

### Bullish Market



You think the price of ZC will go up and BUY 1 lot @427.75



You close your position and SELL 1 lot @455.00

Gross Profit  
= Price Difference x Contract Size  
= (455.00 - 427.75) x USD 10  
= USD 272.50

### Bearish Market



You think the price of ZC will go down and SELL 1 lot @430.25



You close your position and BUY 1 lot @406.75

Gross Profit  
= Price Difference x Contract Size  
= (430.25 - 406.75) x USD 10  
= USD 235



Mezzanine Floor, Block B, Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur



+603-2080 8678



[helpdeskfutures@hlib.hongleong.com.my](mailto:helpdeskfutures@hlib.hongleong.com.my)



**Disclaimer:**

The information contained herein is subject to change from time to time. You are advised to read and understand the applicable terms and conditions. The information contained herein is intended for your general information only and should not be relied on for investment purposes or taken as advice. You are advised to make your own independent evaluation of the information provided and obtain independent financial, legal or other advice before making any investment decision. Nothing in this document or the information provided constitutes or forms any part of any advice, offer, inducement, solicitation or invitation to buy or subscribe for any services or securities on Hong Leong Investment Bank Berhad's part. This content has not been reviewed by the Securities Commission Malaysia.