

# Commodity Challenge 2.0 Users Guide

- I. Welcome
- II. Overview
- III. Sign Up to Play
- IV. Playing the Game
- V. Home Page
- VI. Menu
- VII. Account Status
- VIII. Cash Trade
- IX. Futures Trade
- X. Option Trade
- XI. Open Orders
- XII. Marketing Plan
- XIII. Library

*Still have questions after reading the User's Guide? Send questions or comments to: [cchelp@montanamarketmanager.org](mailto:cchelp@montanamarketmanager.org)*

## I. Welcome

Welcome to the Commodity Challenge! This is an interactive online exercise designed to give producers and others a chance to test their marketing skills. In this simulation, marketers will trade commodities on the cash, futures, and options markets to better understand the mechanics of pricing crops in today's fast-paced agricultural world.

## II. Overview

The intent of the Commodity Challenge is to give producers an opportunity to test the marketing skills they've developed through market education in a realistic, simulated environment. We have found that marketing "students" often lack the confidence to use their skills until they have worked with the tools themselves. With the Commodity Challenge, participants are able to apply their new skills and test their marketing strategies in a real life situation without actual risk

## III. Sign Up to Play

To sign up for a **password**, which will enable you to use the website, compete and make simulated trades, go to [www.commoditychallenge.com](http://www.commoditychallenge.com)

1. Click on the '**Sign Up**' button to [Register to Play for Free](#).

2. In **Registration Step 1**, fill out the information requested and select a user name and password.
3. In **Step 2**, join the game you want to play. Click on the game name to read a description of the games offered. The description includes cash markets locations, assigned production, futures markets, contract size, and storage and commission costs. Please contact us if you are interested in setting up a game based on your local cash market.
4. After joining a game, please take a few moments to fill out the short **Marketing Savvy Quiz in Step 3**.
5. In **Registration Step 4**, consider what steps you will take to execute your marketing decisions. Type your ideas into the marketing actions and default actions text boxes.
6. Click **Finish** to return to the Home Page.

#### IV. Playing the Game:

At the beginning of the exercise, you will be “long the cash.” This means that you will own set quantities of the simulated physical commodities. You will sell your commodities at some point during the exercise. Storage will be charged to your account for each day after harvest that you own unsold commodities. If you do not sell the commodities during the exercise, they will be sold on the closing cash market on the last day of the exercise. During the exercise, you are free to buy and sell futures and options contracts to hedge your positions or speculate for profits. Remember, a commission will be charged for every “turn” or trade that you make and all open futures and options contracts will be closed at the end of the game. Commodities, quantities, storage costs and commissions for each game are listed on the game description page.

#### V. Home Page

Open your internet browser and enter the internet address (URL): [www.commoditychallenge.com](http://www.commoditychallenge.com) The Commodity Challenge default home page will appear. Enter your **Username and Password** and click **GO** to display your personal **Home Page**. The Account Information, Game Standings, Charts, Futures Prices and Cash Prices will now be customized to the game you joined when you registered.

- **Your Account** shows your current achieved price for each of the commodities you are trading. This price is calculated daily at 5 p.m. CST and is the value used in the game rankings.
- The **Top Rankings** lists the three players with the highest price achieved for your game.
- **Market News** includes opening, midday, and closing calls from Doanes along with a link to archived news.
- **Futures quotes** shows 10-minute delayed quotes. Click on a commodity to view all quotes for that commodity by exchange. From the detailed quotes screen, click on the “C” to display a futures chart. Click on the “O” to display current options quotes for each contract.

- The **Cash Prices** shown are specific to the cash market locations and commodities being traded in each game. Click a cash market location to display a cash chart. Cash prices will be updated daily at approximately 5 p.m. CST.

## VI. Menu

- **Home:** Use this tab to return to your customized home page.
- **Account Status:** A summary of your account with links to detailed reports of your trading activity. This page shows sales, net inventory, incurred costs, profit and loss, and net price for each commodity you are trading.
- **Cash Trade:** Transaction page for executing cash sales of your commodities. Your unsold inventory is shown on this page along with cash and basis quotes for the local markets being used for your game.
- **Futures Trade:** Transaction page for executing a futures trade. Also shown here is your profit on existing futures trades for each commodity along with a listing of current futures quotes.
- **Option Trade:** Transaction page for executing an options trade. Also lists your current options trade profit and current futures quotes, which link to option prices for each contract and commodity.
- **Open Orders:** Lists your open cash, futures, and option orders. A delete button allows you to cancel any open order before it is filled. *Note: Once an order is filled, it cannot be deleted.*
- **Marketing Plan:** Written instructions where you can list your intended trading activities by month.
- **Library:** An extensive marketing guide written by Dr. Kevin McNew, MSU Extension Marketing Specialist. An excellent educational reference to help you understand marketing principles.

## VII. Account Status

To view the status of your account, click on the **Account Status** tab in the top menu. This page shows a summary, by commodity, of your account activity. View your original assigned production for each commodity, the quantity sold and the value of those sales. Your unsold inventory and its current value will be calculated based on the most recently posted cash price. Storage costs, calculated daily beginning with the game starting date, will be deducted to show the total cash value for each commodity being traded. Futures and options profits (with commission charges already factored in) are also listed here. A net value and net price per unit for each commodity is automatically calculated. Trades are processed and net prices calculated every 10 minutes from 8:45 a.m. to 1:25 p.m. MST and again at 4:00 p.m. MST. *Note: Since the net price here is a live net price calculated throughout the day, it could differ from the net price shown in Your Account and Top Rankings until the 4:00 p.m. MST update.*

Click on the **Detailed Report** link under each commodity to view details of the transactions you have made for that commodity. Cash sales details include total sales quantity,

price and value; unsold inventory, price and value; accrued storage costs and a calculation of the net cash value. Details for futures and option transactions include the date and time of each trade, the position taken and contract traded, the quantity, price, commission and status of each trade, and the net profit/loss. *Note: For futures and options trades commissions are charged half in and half out.* Your total commodity value and net price per unit are calculated and shown here.

From the left menu of the Account Status page, you can access a detailed report by transaction type. Click on **Cash Sales** to view a list of all cash transactions by commodity. The quantity, price and time each contract was filled are shown here. The **Futures Positions Report** shows quantity, price, time filled and profit/loss for each open and closed futures position. A total profit/loss for all futures positions is calculated. The **Options Positions Report** lists the quantity, price, time filled and profit/loss for each open and closed options position. A total profit/loss for all options positions is calculated.

## VIII. Cash Trade

To make a sale on the cash market, click on the Cash Trade tab in the top menu. For the purposes of this exercise, as with most agricultural operations, you will only **sell** on the cash markets. Cash sales cannot be executed before the assigned harvest date.

In **Step 1**, select the commodity you want to sell from the drop down menu.

Then enter the quantity you wish to sell in **Step 2**. Use an amount in bushels for wheat, corn and soybeans, use amount in pounds for cotton. Note that on the cash markets, you can sell any quantity that you choose (as opposed to futures and options markets, which must be traded in standardized quantities per contract). You may not sell more of a commodity than you own. If you enter an amount greater than the amount you have available, you will receive an error message prompting you to enter a smaller amount. Do not label the number you enter in Step 2. Letters are not recognized and you will be prompted to enter a positive number.

### *At the Market*

In **Step 3**, choose whether this cash sale will be “At the Market” or at a “Set Price”.

If your cash sale is “**At the Market**”, skip Step 4 and click the **Submit** button.

You will then be asked to verify your transaction. If you click “Yes, Submit Trade”, the Open Orders page is displayed and your trade is listed. You can delete this trade from the open orders page if you do so before the order is filled. Cash orders that are at the market will be filled within 10 minutes of submitting the trade. If you click “No, Cancel Trade”, you are taken back to the Cash Trade page and your sale will not be finalized.

### *Set Price*

If, in **Step 3**, you choose to sell your grain at a “**Set Price**”, you must enter the price at which you want your cash sale filled in **Step 4**. Click **Submit**.

You will then be asked to verify your transaction. “Yes, Submit Trade” directs you to the Open Orders page where your cash trade is listed. Cash orders above the market will be filled when your set price is realized. You may delete this cash order at any time before it is filled. “No, Cancel Trade” directs you back to the Cash Trade page.

Other information on the Cash Trade page includes your game title with a link to the game description and a list of your unsold inventory. Current cash price quotes are calculated using current futures quotes and the most recent basis values and are updated every 10 min. from 8:45 a.m. to 1:25 p.m. and again at 4:00 p.m. Cash quotes are shown for the commodities and cash price locations being used in your game. Click on the commodity name to display a cash price chart. Basis quotes for your game location are also listed for each commodity. Basis quotes are updated daily at 4:00 p.m. MST. Click on the commodity to display a basis chart for your game location.

## **IX. Futures Trade**

To make a trade on the futures markets, click on the Futures Trade tab in the top menu to display the futures transaction page.

### ***New Position***

**Step 1** asks if this is a new position or if you are offsetting an existing position.

If you select “New Position”, **Step 2** asks whether you are buying or selling a contract and which futures market you are using.

In **Step 3**, select the contract you are buying or selling. *Note: only the months traded in the commodity that you have selected will appear.*

In **Step 4**, choose from 1-10 contracts to buy or sell. The contract size and commission per contract for futures and options are listed on the game description page. You are allowed to make as many futures transactions as you wish. However, commission fees for each contract traded will be charged to your account and all open futures positions will be closed at the end of the game. In this simulation, our emphasis is on “hedging” and implementation of your marketing plan, not on “speculating”. (“Hedging” is a trading system used to manage price risk for producers. “Speculating” is a trading system in which traders attempt to profit from the volatility of the markets).

In **Step 5**, select a type of futures order from ‘at the market’, ‘set price’, or ‘stop order. If ‘at the market’ is selected, skip Step 6 and continue to the verify transaction page.

If you select ‘set price’ or ‘stop’ order, enter your price in **Step 6**. Click **Submit** and verify your transaction. Your futures order will be listed on the Open Orders page. At the market orders will be filled within 10 minutes of submitting the trade if submitted within exchange trading hours. If submitted after hours, orders will be filled when the market opens the next day. Set price and stop order trades will be filled when the set price or stop is realized. Any open order can be deleted before the trade is filled.

### ***Offset Position***

If your selection in **Step 1** is to offset an existing position, **Step 2** will ask you to choose one of your existing futures positions to offset. Click the 'down arrow' to select from your existing open futures positions.

In **Step 3**, select the quantity in number of contracts that you wish to offset.

In **Step 4**, select whether this order is at the market, at a set price or a stop loss.

For a set-price order or stop loss order, enter the price in **Step 5**.

Submit and verify your transaction to complete the trade. Your order will be listed on the Open Orders page where it will be filled within 10 minutes of submitting. A trade can be deleted at any time before it is filled. Offsetting an existing position will result in the closing of that position. The detailed report in your Account Status lists all open and closed positions.

Other information on the Futures Trade page includes your game title with a link to the game description and a summary of your current futures profit. Current game specific futures quotes are also displayed. Click on a contract to display a futures chart for that contract. Click on all quotes to view detailed futures quotes by commodity and exchange.

## **X. Option Trade**

To make a trade on the options market, click on the **Option Trade** tab from the top menu. This will bring up the option transaction page.

### ***New Position***

In **Step 1** select new position or offset position.

If you select "New Position", in **Step 2** select whether you are buying or selling an option, the commodity market you are using and whether you are executing a put or a call. In options trading, when you **buy** a contract, you pay a "premium." An option is like an insurance policy for managing price risk. As with any other type of insurance, you pay a "premium" for that price protection. By buying an option you are essentially paying someone to take on your price risk. If you sell a contract you will receive a "premium."

Select your option contract by month and year from the drop down menu in **Step 3**.

In **Step 4** first select the number of contracts you wish to place by choosing a number from 1-10 from the drop down menu. Then select the option's strike price from its drop down menu.

In **Step 5** choose whether your option trade is at the market or at a set price.

Enter a set price in the box in **Step 6** if you selected a set price contract. Skip this step if your option is at the market.

Click **Submit** and follow the instructions on the ‘**Verify Transaction**’ page. Your open options order will be listed on the Open Orders page. At the market orders will be filled within 10 minutes of submitting the trade if submitted within exchange trading hours. If submitted after hours, orders will be filled when the market opens the next day. Set price orders will be filled when the set price is realized.

### ***Offset Position***

If your selection in Step 1 is to offset an existing position, Step 2 will ask you to choose one of your existing options positions to offset. Use the drop down menu to select from an existing options position.

In **Step 3**, select the quantity in number of contracts that you wish to offset.

In **Step 4**, select whether this order is at the market, at a set price or a stop loss.

For a set-price order or stop loss order, enter the option premium price in **Step 5**.

Submit and verify your transaction to complete the trade. Your order will be listed on the Open Orders page. If at the market, it will be filled within 10 minutes of submitting. If set price or stop loss, it will be filled when the set price or stop is realized. A trade can be deleted at any time before it is filled. Offsetting an existing position will result in the closing of that position. The detailed report in your account status lists all open and closed positions.

Other information on the Option Trade page includes your game title with a link to the game description and a summary of your current option profit. Current game specific futures quotes are also displayed. Click on any contract here to display all option quotes for that contract. Click on the all quotes link to view detailed futures quotes by commodity and exchange. Futures charts and option quotes can also be accessed from the detailed futures quotes screen.

## **XI. Open Orders**

Click on the Open Orders tab in the top menu to see a listing of your cash, futures, and options trades that have not been filled. Cash orders that are at the market will be filled within 10 minutes of submitting the trade. You can delete an order from the open orders page by clicking on the delete button and verifying your transaction. Cash orders above the market will be filled when your set price is realized and may be deleted at any time before they are filled. **Remember that no trade can be deleted after it is filled.**

At the market futures orders will be filled within 10 minutes of submitting the trade if submitted within exchange trading hours. If submitted after the futures markets have closed, orders will be filled within 10 minutes of the next day’s open. Set price and stop order trades will be filled when the set price or stop is realized. Open futures orders can be deleted at any time before they are filled. To delete, click on the delete button and verify your transaction.

At the market option orders will be filled within 10 minutes of submitting the trade if submitted within exchange trading hours. If submitted after the markets have closed, orders will be filled within 10 minutes of the next day's open. Set price and stop loss orders will be filled when the set price is realized. Option orders can also be deleted before they are filled. Click on the delete button and verify your transaction. Once the order is filled, it cannot be deleted.

Other information on the Open Orders page includes the game title with a link to the game description and a listing of your last three most recently filled trades.

## **XII. Marketing Plan**

A marketing plan can be a useful tool for executing marketing decisions. The Marketing Plan used in the Commodity Challenge consists of three main components:

- (1) **Marketing Actions** - these are written instructions that spell out what trading activities you will perform if the market moves the way you expect.
- (2) **Default Actions** - think of these as your back-up plan. If the market does not move in your favor, what trading actions will you make?
- (3) **Time Period** - The month/year that the marketing actions and default actions are in effect.

To use the Marketing Plan template, click on Add Next Month. In the marketing actions box list the strategies will you use if the market moves in your favor. In the default actions box list the strategies will you use if the market moves against you. Click the finish button. You can refer back to your personal marketing plan throughout the game and edit your plans at any time by using the edit button.

## **XIII. Library**

Click on the Library tab from the top menu to access an extensive marketing guide written by Dr. Kevin McNew, MSU Extension Marketing Specialist. This is an excellent educational reference on futures and options markets and fundamental and technical analysis. Included in the guide are sections on understanding futures markets, hedging using futures contracts, option contracts for hedging, fundamental analysis of commodity markets, basic technical analysis, and a glossary of marketing terms. Click on a section to display its sub menu. Click on any title to go directly to that information.