What Are Commodities? | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A		Column B
___________	Traders betting on futures for profit.	a. Commodities
___________	Raw materials sourced from the earth for use.	b. Soft Commodities
___________	Deals to trade commodities at future prices.	c. Hard Commodities
___________	Cultivated goods like grains and livestock.	d. Future Contracts
___________	Current commodity price, reflecting supply and demand.	e. Speculators
___________	Mined resources like oil, gas, and minerals.	f. Spot Price

Multiple Choice

1. **Why did Henry Heinz face a financial problem with his cucumber purchase?**
    a. He didn't have enough cucumbers to make pickles.
    b. There were too many cucumbers at a high price.
    c. Cucumbers were not needed for his product.
    d. He sold cucumbers at a price that was too low.
2. **What is a futures contract in commodity trading?**
    a. An agreement to sell a commodity at current market prices.
    b. A contract to buy or sell a commodity at a future price.
    c. A plan to buy commodities only in the future.
    d. A deal to trade only in soft commodities like wheat and soybeans.
3. **What makes trading in commodities risky?**
    a. Prices are stable and don't change often.
    b. No one can predict future prices with certainty.
    c. Commodities are not useful in everyday life.
    d. Only speculators are involved in commodity trading.
4. **Why is the spot price of a commodity important?**
    a. It tells how much the commodity costs right now.
    b. It shows the price of the commodity last year.
    c. It is the price used for trading only gold and silver.
    d. It predicts the future price of the commodity.

Application

Henry Heinz enters a futures contract to buy cucumbers from a local farm to make his famous pickles. He agrees to buy 5,000 cucumbers at a fixed price of $0.50 each, planning to spend a total of $2,500. However, due to an unexpected bumper crop, the farm delivers 7,000 cucumbers instead of the agreed 5,000.

a. How much money will Henry Heinz pay for the 7,000 cucumbers based on the contract price?

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b. If Henry only budgeted $2,500 for cucumbers and needs to pay the full amount for the 7,000 cucumbers, how much over his budget will he be?
c. If Henry decides to sell the excess 2,000 cucumbers to another pickle manufacturer at a price of $0.60 each, how much money will he make from selling the excess cucumbers?
d. After selling the excess cucumbers, how much has Henry spent on the cucumbers in total?

	Original Contract	1. Bumper Crop	2. Over Budget	3. Sell Option
# of pickles	**5,000**			
Price per each	**$0.50**			
Total Amount	**$2,500**			

4. ______________________ - ________________________ = ______________________
(total cost of cukes) (earnings from sell option) (total money spent)

What Are Commodities? | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A
- e. Traders betting on futures for profit.
- a. Raw materials sourced from the earth for use.
- d. Deals to trade commodities at future prices.
- b. Cultivated goods like grains and livestock.
- f. Current commodity price, reflecting supply and demand.
- c. Mined resources like oil, gas, and minerals.

Column B
- a. Commodities
- b. Soft Commodities
- c. Hard Commodities
- d. Future Contracts
- e. Speculators
- f. Spot Price

Multiple Choice

5. **Why did Henry Heinz face a financial problem with his cucumber purchase?**
    a. He didn't have enough cucumbers to make pickles.
    b. There were too many cucumbers at a high price.
    c. Cucumbers were not needed for his product.
    d. He sold cucumbers at a price that was too low.
6. **What is a futures contract in commodity trading?**
    a. An agreement to sell a commodity at current market prices.
    b. A plan to buy commodities only in the future.
    c. A deal to trade only in soft commodities like wheat and soybeans.
    d. A contract to buy or sell a commodity at a future price.
7. **What makes trading in commodities risky?**
    a. Prices are stable and don't change often.
    b. No one can predict future prices with certainty.
    c. Commodities are not useful in everyday life.
    d. Only speculators are involved in commodity trading.
8. **Why is the spot price of a commodity important?**
    a. It tells how much the commodity costs right now.
    b. It shows the price of the commodity last year.
    c. It is the price used for trading only gold and silver.
    d. It predicts the future price of the commodity.

Application Answer

	Original Contract	1. Bumper Crop	2. Over Budget	3. Sell Option
# of pickles	**5,000**	7,000	2,000	2,000
Price per each	**$0.50**	X $0.50	X $.50	X $0.60
Total Amount	**$2,500**	= $3,500	= $1,000	= $1,200

4. $3,500 - $1,200 = $2,300 spent in total