

BASIS ONLY CONTRACT

A contract to sell grain that establishes a basis in a firm delivery window.

HOW DOES IT WORK:

The producer agrees to sell a specific quantity of grain for a specific delivery period at a basis price. Futures remain unpriced.

WHEN TO USE:

- When basis levels and delivery time table are desirable
- Flexibility to participate in higher prices is desired
- Producers are anticipating basis depreciation
- Producers have more production than they can store

ADVANTAGES:

- Allows producers to participate penny for penny in all futures market rallies
- The contract establishes a fixed basis price
- Allows producers to lock in basis ahead of harvest
- Equity may forward producers up to 80% of contract value to create cash flow on delivered, but unpriced grain
- Allows producers to avoid storage

THINGS TO CONSIDER:

- Producers are still exposed to market risk
- Price will not increase if basis appreciates
- Producer has a deadline to make pricing decisions or rolling the contract

*The information concerning underlying, exchange traded positions on this page is for reference purposes only. You will not have any futures contracts or options, but rather you have one or more cash commodity transactions that are priced on the basis of the referenced futures contracts and/or options.
Past performance is not indicative of future results.*