Elite Edge Contract

How it works

This is an excellent contract to take emotion out of the marketing process. A producer just has to decide on an amount of bushels to enroll into the contract and the rest is done for you. This is a professionally traded strategy that uses multiple market functions to ensure a grower has a differentiated portfolio. The strategy is made up of a computer algorithm, a group of professional brokers, and a group of local professionals. A website will be set up for you to check anytime to see how the contract is performing. This contract also has the added bonus of protection against total crop failure. In the event of crop failure due to drought, hail, or freeze there is an option to get out of the contract. It should be noted though that the first bushels harvested will be applied to this contract before all other contracts. Understand this should not be treated as an insurance policy and only total crop failure trigger the clause. This contract comes with a per bushel fee and would be paid out upon delivery to the elevator. Basis remains open for producer to set anytime he chooses before the final pricing date.

Highlights:

- Professionally priced to take emotion out of trading.
- Multi-strategy approach to protect from one strategy influencing price too much.
- Contains per bushel Fee
- Offers total crop failure clause

When to use

A producer should use this contract to help diversify his market plan. This should not be used for the bulk of a market plan and should be no more than 30% of expected production. This contract helps producers take emotion out the marketing process and allows them the comfort of knowing the plan is professionally managed and differentiated to protect against one strategy influencing too much of the final price.

Primary Risks

Production Risk- This will be a risk in every contract. Use multi-year average yields to help determine the appropriate amount to forward sell per commodity. This contract has a total crop failure clause to ease some of the production risk. First bushels harvested are applied to the contract. So, this should not be treated as crop insurance.

Missed Opportunity Risk- By enrolling bushels in this contract you eliminate the ability to price at higher levels on the contracted bushels if the markets were to go up after the pricing window.

Basis Risk – By leaving Basis open there is the possibility it weakens and could reduce cash price

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