Hedge to Arrive Contract

Highlights:

- Lock in futures price to eliminate all downside futures price risk.
- Per bushel fee to lock in futures price
- Basis can be set at a later date if expected to improve
- Can be used in Multi-Year Strategy

How it works

Hedge to Arrive (HTA) contracts are a futures-only contract. This allows a producer to lock in the futures portion of the cash price while leaving the basis open. The Futures price will be set at the time of the contract. Basis will remain open until the producer decides to lock it in. HTA's can be utilized for future years, making them useful for multi-year marketing strategies. HTA do come with a fee that will be discounted from the final cash price. Contracts will be paid out upon delivery to the elevator.

When to use

Futures are typically the most volatile part of the cash price and often time rally outside of the traditional harvest window. Producers would utilize HTA's if they believe futures are at a level that fit into their marketing plan but would like to leave basis open to improve. They would also use them if they wish to lock in futures prices more than one year out where other contracts may not be offered.

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.

Missed Opportunity Risk- By locking in futures you eliminate the ability to price at higher levels on the contracted bushels if the markets were to go up.

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

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