THE EQUITY

CASH CONTRACT

A contract to sell grain that establishes a futures price and 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 given futures and basis price.

WHEN TO USE:

- When current prices including basis represent an opportunity to lock in a desired margin level
- Flexibility to participate in higher prices is not desired
- Producers are anticipating basis depreciation
- Producers have more production than they can store

ADVANTAGES:

- The contract establishes a fixed futures and basis price eliminating downside risk
- Allows producers to lock in prices ahead of harvest

THINGS TO CONSIDER:

- Price will not increase if the futures market rallies
- Price will not increase if basis appreciates
- If selling a deferred period, seller must maintain condition of stored grain

ANTICIPATING ADJUSTMENTS AND BEST PRACTICES:

- On a break in the futures market add upside opportunity to your position and convert into a Minimum Price or Min-Max Contract
- On a sharp increase in price, volatility or both look at adding a Premium offer to increase the price received in return for a future obligation to sell bushels

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.

For More Information:
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