Basis Contract: This contract is a form of a futures contract where the basis is established but a futures price has not been locked in.

How a BASIS Contract works:

- It allows the producer to secure an attractive basis level while waiting for improvements in the futures price.
- It establishes a quantity and delivery period for your grain.
- The final cash price is determined when the producer locks in the futures price.
- Contracts may be rolled forward to take advantage of inverted markets.
- Basis contracts may be entered into for future delivery of grain.

Reasons to use a BASIS Contract:

- When a producer wants to stay in the futures market, but feels the basis level is attractive.
- It provides opportunity to take advantage of advances for cash flow.

Risks of BASIS Contracts:

- The basis level may improve after establishing the contract.
- The futures price may decrease while the contract remains unpriced.
- After receiving the 70% advance, the futures price may decrease; this would require the producer to repay a portion of the advance back to bring the value back to 70% of the contract.

Opportunities of BASIS Contracts:

- It establishes quantity and delivery period for the grain.
- Producer may benefit from futures rallies in the market.
- Producer may roll the contract forward to take advantage of inverses in the marketplace.
- Producer may generate cash flow through the 70% advance.

Terms:

Service Fee: None
Rolling: 2 cent roll fee +/- Spread. Can only be rolled within the same crop year; at buyer's discretion
Delivery: Required on all contracts
Advance: Up to 70% after grain delivery; When price gets below the advance, the customer will be billed to bring contract to current value
Minimum: None

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