Forward Contracts: The most commonly used contracts. These contracts are for the cash sale of grain, at a specified price, for future delivery.

How FORWARD Contracts work:

- Locks in a guaranteed price today for grain delivered in the future.
- The futures price and basis portions are established at the same point in time.
- Payment occurs upon delivery or can be deferred into a new tax year.
- Establishes a price in advance of delivery.
- A forward contract establishes the value of the grain that day.

Reasons to use FORWARD Contracts:

- When a producer feels the price is attractive and returns on investment are positive.
- It assists in establishing cash flow for production costs.
- It allows the producer to establish a market price prior to production or delivery.

Risks of FORWARD Contracts:

- No opportunity to take advantage of improvements in the basis or futures price.
- The producer is obligated to deliver the quantity and quality of grain specified in the contract and is not protected from production risks.
- The deferred price may not cover the cost of keeping the grain on the farm or in the elevator

Opportunities of FORWARD Contracts:

- Establishing a cash price eliminates your downside price risk.
- Relatively simple and easy to understand.
- No storage charges will apply to the grain delivered.
- Storage charges are stopped if the grain is transferred from a storage contract to the cash sale contract.
- Timing of delivery will assist the producer in scheduling grain movement.

Terms: No cost to contract, No Minimum Bushel Amount