Brimfield 309-446-3777
Edelstein 309–249-2700
Strawn 815-688-3495

Grain Contract Types

Purchase Contract:

The goal of a Purchase Contract is to lock in a specific cash price, as well as a specific delivery period and location. This contract can be utilized to lock in a cash price for delivery of grain one day in advance of delivery, or for grain that will not be delivered until a year later. Each different delivery period typically has different price level that is being quoted. This contract eliminates all price risk and solidifies a delivery period for delivery of cash grain. This is the most common contract written.

Advantages

- No Fee for writing this contract
- Simplest contract to understand and execute

Hedge to Arrive (HTA) Contract:

The goal of a Hedge to Arrive (HTA) Contract is to lock in a futures price in anticipation of a stronger basis in the future. Basis must be established prior to delivery and prior to the contract expiration date unless the HTA contract is rolled. If the contract is rolled, an additional fee of 2 cents/bu plus or minus the current market spread is charged. Rolling is limited to within the same crop year. A fee is charged to write this contract, and the fee amount varies by market conditions and time until contract expiration.

Advantages

- Contract can be rolled to take advantage of carry in the market
- Futures price can be established with an opportunity for better basis levels later

Basis Contract:

The goal of the Basis Contract is to lock in the local cash basis in anticipation of a higher Futures prices later. The price of this contract fluctuates daily with the futures market. Upon delivery of the bushels associated with the contract an advance, equal to 80% of the contract value, is normally given. In the event of the market declines below the 80% advancement level, you may be asked to return a portion or the entire advance when you finally price the basis contract. Contract must be priced by the last day of the month preceding the contract futures month.

Contract must be priced during trading hours of 8:30 am and 1:15pm. If the contract is rolled to a different futures month a 2 cent/bu fee and the difference in the spread in the futures month rolled to will be charged. This contract is written on a state price later contract form after delivery to elevator or grain terminal.

Advantages

- Allows for cash flow without final pricing of grain
- No fee for writing this contract

Delayed Price (DP) Contract:

The goal of the DP contract is to create a grain storage situation at locations that do not offer warehouse receipt storage. It can also be used to reduce storage costs at locations that offer warehouse receipts, but may have a less expensive DP rate. The DP Contract can be utilized to create cash grain delivery during opportune delivery time periods, such as January, but avoid pricing the cash grain until the following summer. The cash grain is still subject to market fluctuations, which include futures movement and cash basis fluctuations. DP rates are set according to market conditions, and may range from 4-5 cents/bushel a month, down to free of charge for 6-12 months of time. Rates vary daily, and need to be locked in ahead of delivery to ensure rate and space availability. This contract is a logistical tool, not a pricing tool. Cash grain delivery is made to a specified terminal, and grain title transfers from the seller to the buyer of the grain at time of delivery. The contract is written on a state price later contract after delivery to elevator or terminal. Grain is completely unpriced at time of delivery.

Advantages:

- Grain can be hauled when logistically convenient
- At times DP rates are more advantageous that regular storage rates

Cash-Guaranteed Minimum Price Contract (GMPC):

The goal of the GMPC is to lock in a cash floor price, while providing for upside price potential by combining a cash grain sale with simultaneous purchase of a Call option. The minimum price is established by taking the cash price less the cost of the Call option strike price fee and applicable contract service fees. In the event the futures price increases, additional income can be earned as the futures price increase in value over the strike price selected.

- Fee of 2 cents/bushel to open contract
- Contract service fees and strike price premium are deducted from the cash grain price
- Last day of execution clearly stated on contract
- Any rolling of the contract will be done with a contract amendment and a 2 cent fee
- 1 cent fee is charged to close the contract

Advantages:

- Locks in a floor price with the opportunity for the contract price to increase with a market rally

Additional information

All of the contracts listed above require cash delivery of grain! If a buyout of the contract becomes necessary, each situation will be handled on a case by case basis. All of these contracts have been created to improve the marketing flexibility of cash grain, while enhancing our client’s ability to manage risk in a time of market volatility.

When a farmer or landlord utilizes these contracts, bushel amounts will be monitored to ensure proper utilization, and to prevent speculation with the contracts.

OTC Contracts:

Akron also offers several different Over the Counter products. Each contract is written for an individual's specific situation. Contact Alan or Tyler at the Brimfield office to find out more information about these products.

Cornbelt Marketing Inc:

Cornbelt Marketing Inc. is a guaranteed IB clearing through StoneX. Cornbelt Marketing operates at the Brimfield location. Individual brokerage accounts to hedge or trade commodities at competitive clearing rates are available. Our brokers will also help you create strategies to market/hedge your crop.
https://www.cornbeltmarketing.com/

Strawn Grain Co.	**Akron Services, Inc**
Jay Mueller 217-249-9545	Alan Knobloch, Tyler Endress, Tim Wagenbach
Tim Mueller 217-249-9548	800-334-7533/ 309-446-3777 / 309-249-2700