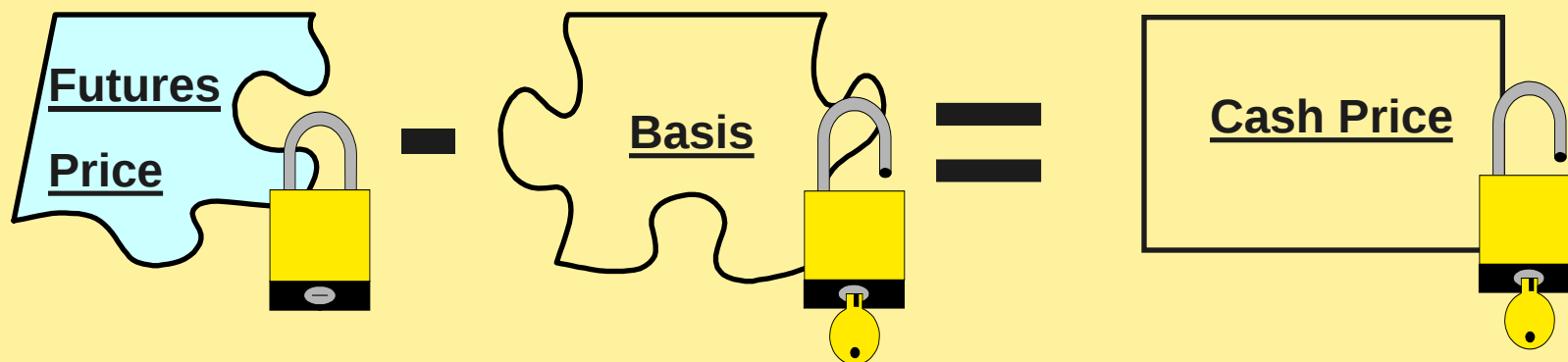


Futures First Contract

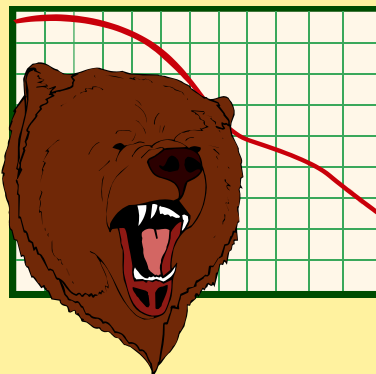


Futures First Contracts allow producers to lock in a specific futures price at the time of contracting without establishing a basis level until a later date. A delivery date, quantity and futures pricing based on a specific month are determined at the time the contract is written. The basis does not need to be set on the entire contract quantity all at one time, instead it can be set in increments giving the producer more flexibility. The basis level must be set on or prior to the first date of delivery or the first notice day of the established futures month, whichever is earlier. Title of the grain passes upon application to the contract, which also stops storage charges. **There is a minimum of 500 bushels and there is a service fee.**



Benefits

- *Benefit from basis gains
- *Can be done in small increments
- *Can be done with farm stored grain
- *No margin calls



Risks

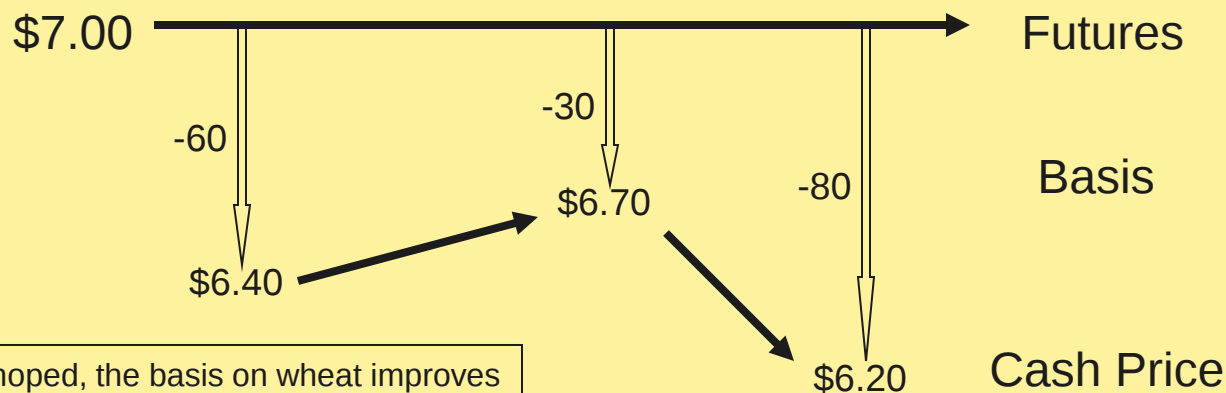
- *If basis widens out, the cash price will fall
- * Non-production: If done as a pre-harvest contract, the risk of not harvesting enough bushels to fill the contract.

Futures First Contract



Example:

You would like to forward contract some wheat to be delivered to the elevator at harvest time. Today's futures are at \$7.00, a level you would like to lock in but the -80 basis is wider than normal. You contract 20,000 bu of wheat on a Futures First Contract with the futures set at \$7.00. You will have until the expiration on the contract to get the basis locked in.



Just as you had hoped, the basis on wheat improves and you set the basis on 10,000 bu at **-30**. The cash price on this 10,000 bu is **\$6.70** ($7.00 - .30$)



You are now getting ready to harvest and you set the remaining 10,000 bu at a **-80** basis. The cash price on the remaining 10,000 bu is **\$6.20** ($7.00 - .80$)

So, out of the 20,000 bu of wheat that you contracted, 10,000 bu are priced at \$6.70 and 10,000 bu are priced at \$6.20.