Primient

Delayed Pricing Contract

About the contract

The Primient Delayed Pricing (DP) grain contract allows the producer to deliver grain when it is convenient and price it at a later date. This allows the producer to take advantage of market rallies, good hauling weather, and manage time when it works into their schedule. Service fees vary depending on market conditions but may be a flat fee, a monthly fee, or a combination of both. Pricing deadlines also vary depending on the time of year as well as market conditions. When the producer does decide to establish a price, the current posted cash price at the elevator will be used.

Advantages

- The producer has no grain to store
- The producer is able to take advantage of increases in futures prices
- The producer is able to take advantage of narrowing basis levels

Considerations

- The producer at risk of the futures market dropping
- The producer is at risk of basis levels widening
- DP charges are locked in and will not change independent of changing market conditions

Example

Producer delivers 5,000 bushels of corn to elevator in mid-December 2011 and places the corn on a delayed pricing (DP) contract with a charge of 3 cents per bushel per month and a price-by date of September 15, 2012. On June 10 2012 the producer decides to sell the grain at the following:

July 12 corn futures	$6.05
Local Basis	- .05
Cash Price	$6.00
Service fees per month)	$ .18 (6 months x .03 cents per bushel
Net cash price paid	$5.82

Premiums, values, strike prices, and dates all vary depending on customer objective and current market conditions; *fee may apply