Primient

Basis Fixed Contract

About the contract

The Primient Basis Fixed grain contract allows the producer to lock in a basis for grain, either to be delivered or already delivered, when basis seems favorable but the producer is bullish on the futures market. The producer has the freedom to concentrate on the futures market movement without having to worry about basis movement. The producer can price the basis contract or roll it to a deferred futures month before first notice day at market spreads (fees to apply)

Advantages

- basis is locked in and cannot widen
- the producer can take advantage of rallies in the futures market
- there are no storage charges if grain is already delivered
- the producer can take advantage of an interest free advance at any time before pricing

Considerations

- the producer cannot take advantage of any basis improvements
- the producer has exposure to any drops in the futures market
- the producer is subject to market spreads and a service fee if the contract needs to be rolled between futures months

Example

Producer sells 5,000 bushels of new crop corn on a basis fixed contract for October 2012 delivery at -$.25 basis against December futures. On November 20, 2012 the producer decides to price the grain at the following:

December futures on 11-20-12	$6.05
Basis contract	- .25
Cash Price	$5.80

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