Primient

Hedge-to-Arrive Contract

About the contract

The Primient Hedge-to-Arrive (HTA) grain contract allows the producer to lock in futures when it is advantageous and leave basis open until a later date. The producer can establish a basis level anytime ahead of delivery; however basis must be set before delivery is made. If it is advantageous and mutually acceptable for both the buyer and the seller, an HTA contract can be rolled to a deferred futures month at market spreads with applicable fees, not to go past July of the current crop year.

Advantages

- The producer has no risk of the futures market dropping
- The producer has grain sold for a specific delivery window

Considerations

- The producer is at risk of basis levels widening

Example

On May 12, 2011 the producer enters into an HTA contract for 5,000 bushels of new crop 2012 corn delivered to the elevator at $6.45 December 2012 futures. On July 29, 2011 the producer prices the HTA contract by establishing a basis using that day's posted new crop basis level. The contract is priced as follows:

New Crop HTA Contract	$6.45
Local Basis	- .25
Cash Price	$6.20
Service fees	$ .03
Net cash price paid	$6.17

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