Basis Contract

Lock in the basis and capture the rally.

Take advantage if the futures market rallies with a basis contract.

What is it?

A basis contract lets you lock in a basis level but leave the future prices open until a later time. Contract basis values include all of the costs associated with marketing grain. Basis values are the difference between the futures and cash markets and are influenced by supply and demand.

How does it work?

You sign a contract for a specified number of tonnes and choose a delivery period. You fix the basis and leave the futures open.

What are the advantages of a Basis Contract?

- You can lock in a basis and wait for a potential futures rally.
- You have the option of setting a futures target that will be triggered if the futures rise to that level.
- You can price the futures on any portion of your contracted tonnage, multiple times.
- You have the ability to roll to forward future months.
- Allows you to eliminate storage risk by planning delivery of your crop.

What should you know?

- You hold the downside futures risk.
- Basis levels could improve.
- Your Basis contract must be priced or rolled by the priced by date on the contract.
- US Foreign Exchange (FX) is included in your basis value.
- When rolling a basis to a Forward Futures month, the spread conversion between futures months will be calculated at time of and may include a US FX cost.

When is it used?

Choose a basis contract if you think the basis is attractive, but you expect the futures to improve. This tool is often used when you need to secure a delivery in an unfavourable futures market.