Fixed Futures Contract

Minimize your price risk and wait for the basis to improve.

VITERRA

Get the flexibility to determine a futures price without committing to a basis.

What is it?

A fixed futures contract allows you to fix the futures price on a quantity of grain and leave the basis open.

How does it work?

You sign a contract locking in the futures price for delivery of a fixed tonnage in a given month and price the basis portion at a later date.

What are the advantages of a Fixed Futures Contract?

- You have eliminated most of your price risk by fixing the futures.
- You can benefit from a future strengthening of the basis.
- You can secure future delivery of your crop.
- Ability to apply a basis contract against a program being offered for like quality and delivery period.
- In a carry market, where futures are higher than the nearby price, you are effectively getting paid for keeping your grain on farm.

What should you know?

- The basis values could continue to weaken (i.e. get wider).
- The futures values can improve.
- Product must be of like quality quoted in program offering.
- You must lock in a basis value upon the date of first delivery, or if not delivered prior to the “Priced by Date” on the contract.

When is it used?

The Fixed Futures Contract is most effective in a carry market when the futures price is high and the basis is weak.