

## **Cash Grain Contracts**

For about 50 years, the U.S. grain marketing system provided price risk management tools to producers by offering various cash grain contracts. One of the strengths of this system is that grain buyers (generally, grain elevators) have the flexibility to respond to marketplace demands and to provide contracts appropriate for individual producer situations. Producers should carefully evaluate a contract's risk/reward profile before entering into any contract to make sure that their financial situation, production prospects, and personal preferences for risk are consistent with a specific cash grain contract or marketing strategy.

### **Why Should Producers Consider Cash Grain Contracts?**

The changes in farm support programs and continuing expansion in global trade, suggest that there will be increased risk and volatility in cash grain markets. Under these conditions, there is a greater need for contracts and other strategies to help manage risks.

### **What Type of Cash Grain Contracts Are Available?**

There are a wide range of cash grain contracts available, including Fixed Price Contracts, Basis Contracts, Deferred Price Contracts, Basic Hedge-to-Arrive Contracts, and Minimum Price Contracts. Before using any contract or strategy, a producer should become thoroughly familiar all of its terms and conditions.

To find out more about cash contracts and form a comprehensive marketing strategy that will manage risk and help optimize prospects for increasing operating income from markets, producers should contact their local grain elevator. Not all contracts/strategies are available from every elevator. The instruments available may depend on local marketing practices and marketplace demand from producers. Elevator personnel can help producers interested in this type of risk management and can provide them with more detailed information.

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