

New Crop Averaging Contract

Fee: \$0.04/bu.

Utilize this contract if:

- Wanting to jump start your New Crop marketing
- Wanting to add some diversity to your marketing plan

What to consider about this contract:

- The average price paid may be below the market price at delivery
- The total cash price (futures plus basis) may be below your cost of production

Contract Overview:

The producer designates a portion of his/her expected production to price futures. Landus Cooperative will sell a portion of these bushels at the close of the market every day that it is open during the pricing period. At the end of the pricing period, the producer will have a Futures Only contract. There are no margin calls or futures accounts needed to utilize this program. There are no double-ups or knock-outs. The producer is responsible for setting basis prior to payment. Delivery is expected to be during harvest, unless the producer chooses to roll the futures.

The initial cost is 4 cents per bushel which is taken off the settlement of the grain (there is no requirement of an up-front payment). This contract can be rolled forward (as long as it stays in the same crop year) to pick up any carry in the market, for an additional fee.

The pricing period for New Crop corn is March 16, 2020 through July 10, 2020, using December futures. The pricing period for New Crop soybeans is April 20, 2020 through July 24, 2020, using November futures. Bushels committed must be in 5,000 bushel increments for corn and 2,500 bushel increments for soybeans. Sign up deadline is February 28, 2020.

Potential Advantages

- No margin calls or futures accounts needed
- No double-ups or knock-outs
- Landus Cooperative will manage the daily pricing of bushels
- The contract can be rolled forward to pick up carry in the market (as long as it stays in the same crop year) for a fee
- The 4 cent fee is taken off the settlement, so no up-front fee is required

Potential Disadvantages

- The average could be worse than the producer's own sales (the recommendation is to commit a portion of up to, but not exceeding 25% of expected production)
- You will not sell the "high" of the market with this program

Detailed Explanation:

The New Crop Averaging Contract is designed to allow producers to sell a portion of their expected production every day during the pricing window. By pooling your bushels with other member-owners, Landus Cooperative will sell the same amount of bushels at the close of the market every day that the board of trade is open during the pricing window.

With a pricing period for New Crop corn of March 16 through July 10, 2020, that is 82 trading days. So, if you would commit 10,000 bushels, we will sell 121.95 bushels on your behalf, each and every day. The pricing period for New Crop soybeans is April 20 through July 24, 2020, or the equivalent of 68 trading days. If you commit 5,000 bushels, we'll sell 73.53 bushels each day.

There is a 4 cent/bu. fee deducted when this is converted to a cash contract. Minimum amounts: 5,000 corn; 2,500 soybeans.