Facilities
Seed Plant
Marketing Canola

- Cash
- Hedge-To-Arrive
- Basis Contracts
- Options Contracts
Canola Basics

- Canola Traded on ICE Canada (Symbol RS)
- 44,092 lb contract
- Future Months Traded Jan, Mar, May, July and November
Hedging

TWO COMPONENTS MAKE UP A CASH PRICE

FUTURES

+ 

BASIS

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CASH
Hedge To Arrive Contract

- Hedge to arrive contracts establish a futures price component with basis to be determined at a later date. Use this contract when futures are high and basis is historically or seasonally low.

PROCEDURE

1. Negotiate a delivery date, quantity, and futures position.
2. Deliver grain as stated in contract.
3. Receive cash payment upon basis lock.
4. Service charges likely apply.
Hedge To Arrive Contract

POSITIVES

◦ Lock in Futures market price with opportunity for basis gains.
◦ Take advantage of carry in the market and low basis levels

NEGATIVES

◦ Potential basis losses if basis decreases prior to delivery.
◦ Will be a contract with a particular entity to deliver grain.
Options Contract

- Sell New Crop Call
- Apply Premium to Old Crop Cash Sale
- If Call gets exercised against then it is converted to a new crop HTA
Options Example

February 2015 Cash Price  $17.90cwt
January 2016 $450 Call  $1.00cwt
Cash Sale Price  $18.90cwt

If futures markets are above $450mt upon expiration then a $450mt HTA is written for January 2016
Questions

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