



Cash Forward contract

About the contract

The Tate & Lyle Cash Forward contract is a standard contract that locks in a cash grain price for a specified time of shipment on a specific amount of grain. The time of shipment can be anywhere from the spot market up to 2 years in advance (depending on local grain contract policies). The price of the contract is determined by the corresponding futures price adjusted by the local basis for the specific time of shipment.

Advantages

- The flat cash price is set and cannot go lower
- Specific delivery time is set up front
- No fees or other costs associated

Considerations

- Producer cannot take advantage of market moves

Example

Producer John sells 5,000 bushels of new crop corn to Tate & Lyle Grain's Parnell elevator at the following;

• December 12 corn futures	\$6.25	
• Parnell Local Basis	- .40	
• Cash Price	\$5.85	October/November 2012 delivery