South West
Ag Partners Inc.

Futures First
For Ontario Producers

What is the Futures First Contract?

- A Futures First (FF) contract reserves a futures price without specifying the basis level for a future delivery period.
- A Futures First contract establishes the grain quantity, grade and delivery period
- The basis pricing can be done at any time on or before delivering

Who should use this contract?

- Growers who want to lock in the carry in the futures market
- Growers who know their production costs and profit margin requirements
- Growers who track local basis levels

When should this contract be used?

- When you want to reserve space for future delivery
- When you want to lock in an attractive futures price but feel the basis level will improve prior to delivery

Risks:

- The futures price increases after the contract is established
- The basis decreases until the pricing deadline (subject to basis risk)
- The physical commodity cannot be delivered until the basis is established

Benefits:

- Futures First provides additional time to take advantage of possible improvements in the basis level
- Futures First reserves space for future delivery
- Futures First allows growers to avoid downside futures price risk
- No margin call payments are required as South West Ag Partners Inc. holds the futures position in return for a delivery commitment

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How does the Futures First contract work?

Example:
On February 1 you establish a Futures First contract for wheat at $3.25 over the September futures for harvest delivery. The current basis bid for harvest delivery is $0.20 over the September futures.

Scenario 1: On July 8 you decide to lock in the basis for delivery early August. The futures price has decreased to $3.00, the Canadian dollar has remained stable and the basis has decreased to $0.15 over the September futures.

Future First Final Contract Price – July 8

Futures First	$3.25
Basis	+$0.15
Contract Price	$3.35

Cash Price – July 8

Futures	$3.00
Basis	+$0.15
Cash Price	$3.15

The final Futures First contract price exceeds the cash price due to futures price increases.

Scenario 2: On July 8 you decide to lock in the basis for delivery in early August. The futures price has increased to $3.35, the Canadian dollar has appreciated and the basis has decreased to $0.18 over the September futures.

Future First Final Contract Price – July 8

Futures First	$3.25
Basis	+$0.18
Contract Price	$3.43

Cash Price – July 8

Futures	$3.35
Basis	+$0.18
Cash Price	$3.53

The cash price on July 8 exceeds the final Futures First contract price due to futures price increases and Canadian dollar appreciation.

Note: The Canadian Basis is determined by converting the U.S. denomination futures, plus the U.S. basis into Canadian dollars then subtracting the futures. The Canadian basis will fluctuate due to local supply / demand situations, changes in the value of the Canadian dollar relative to the U.S. dollar and future price movements. All factors should be taken into consideration when entering a Futures First contract.