DEFERRED DELIVERY

Grain Marketing Contract

WHAT IS THE DEFERRED DELIVERY CONTRACT?

- A Deferred Delivery (DD) contract locks in a guaranteed price today for grain delivered in the future
- The futures and basis portions of the contract are established at the same time
- Payment occurs upon delivery or can be deferred into a new tax year
- Deferred Delivery contracts establish a price in advance of delivery (This is the main difference between a Deferred Delivery contract and a cash sale)

Should I use this contract? Yes, If you:

- Are comfortable making pricing decisions well in advance of delivery
- Are comfortable managing production and quality risk

When should I use this contract?

- When the deferred delivery price has reached your contracting objectives in advance of delivery
- When you anticipate prices have reached their peak prior to delivery
- When you want to reserve space for future delivery
- When you would like to synchronize delivery and cash flow

Benefits:

- More flexible than a cash sale (establish price prior to delivery)
- Optimized timing of pricing and delivery
- An established cash price, eliminating downside price risk
- Deferred payment opportunities are available to assist with cash flow and tax management

Risks:

- The deferred price may not cover the cost of storing grain
- The futures price and/or basis level may improve after the contract has been established

For more information, drop by your nearest Cargill location, contact your Cargill representative or visit **cargillag.ca**

How Deferred Delivery works

How does the Deferred Delivery contract work?

		SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4
Deferred Delivery **CONTRACT PRICE**		Futures Increase **CASH PRICE**	Futures Decrease **CASH PRICE**	Basis Improves **CASH PRICE**	Basis Weakens **CASH PRICE**
Futures	305.00	(+15) 320.00	(–17) 288.00	– 305.00	– 305.00
Basis	(30.00)	– (30.00)	– (30.00)	(+10) (20.00)	(–5) (35.00)
Price	275.00	290.00	258.00	285.00	270.00
Comparison		**(15.00)** **Disadvantage**	**17.00** **Advantage**	**(10.00)** **Disadvantage**	**5.00** **Advantage**

SCENARIO 1

- The Deferred Delivery contract **price is lower than the cash price** because the futures have improved since the time of contract sign-up

SCENARIO 2

- The Deferred Delivery contract **price will exceed the cash price** because the futures have decreased since the time of sign-up

SCENARIO 3

- The Deferred Delivery contract **price is lower than the cash price** because the basis has improved since the time of sign-up

SCENARIO 4

- The Deferred Delivery contract **price will exceed the cash price** because the basis has weakened since the time of sign-up

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