Grain Contract Cancellation/Rolling Policy

As of December 2, 2020

Please read and understand the following policy in regards to the cancellation or rolling of grain contracts made with Wanna Make It Farm Grain Corp.

Please note the following:

Wanna Make It Farm Grain Corp will cancel or roll grain contracts as per this policy if, and only if, at the discretion of the grain buyer, the grain contract was believed to be made in good faith and the short position is being caused by a crop failure at no fault of the grower.

Wanna Make It Farm Grain Corp will **NOT** cancel or roll grain contracts as per this policy if;

1) The grain contract was made in bad faith or as a speculative bet.
2) The grower is seeking opportunities elsewhere.
3) The grower decided not to plant the required crop.

When Market Price is Above Contracted Price

Contract Assignment

If the market price is higher than the contracted price then it is unlikely that a grower would be able to assign that contract to another grower given the negative equity. But, however, if the grower can and another grower wishes to fill the contract for them then this option is available. This applies only to direct ship contracts. If the contract is FOB Farm then the assignment must be approved by Wanna Make It Farm Grain Corp. Extra freight charges may apply in certain situations.

Contract Cancellation

If the market price is higher than the contracted price then there is the option to “buy out” the contract. The buy-out cost is the sum of the contract's negative equity plus the roll fee. While the negative equity portion is rather self explanatory, the roll fee reflects the transactional costs of hedging the futures and the lost opportunity cost to Wanna Make It Farm Grain Corp for failing to deliver on a contract. This buy-out fee is to be paid in full at time of contract cancellation.

Buy Out Cost = Negative Equity + Roll Fee

Equity = (Futures value when contract was made) - (Current market futures value)
Roll Fee = $0.40/bu $USD

Contract Rolling

If the market price is higher than the contracted price then there is also the option to “roll” the contract. Rolling the contract essentially “rolls” the negative equity and roll fee, as mentioned above, into a contract for the same amount of tons for the following crop year. The cost to roll comes directly off the price for the following year's crop. The benefits to rolling rather than cancelling are a) the grower does not have to pay cash out of pocket and b) the roll fee is $0.10/bu lower than the cancellation fee.

Roll Price = Current Market Price For Next Crop Year - Roll Cost

Roll Cost = Negative Equity + Roll Fee

Equity = (Futures value when contract was made) - (Current market futures value)

Roll Fee = $0.30/bu $USD

When Market Price is Below Contracted Price

Contract Assignment

If the market price is lower than the contracted price then it is likely that a grower would be able to assign that contract to another grower given the positive equity. If the grower wishes they can allow another grower to fill the contract for them. This applies only to direct ship contracts. If the contract is FOB Farm then the assignment must be approved by Wanna Make It Farm Grain Corp. Extra freight charges may apply in certain situations.

Contract Cancellation

If the market price is lower than the contracted price then there is no option to get “bought out” of the contract. Wanna Make It Farm Grain Corp will not, under any circumstance, make a direct payment to a grower in lieu of contract fulfillment. If the market price is lower than the contracted price then the contract must either be delivered on, assigned, or rolled.

Contract Rolling

If the market price is lower than the contracted price then there is also the option to “roll” the contract. Rolling the contract essentially “rolls” the positive equity and roll fee into a contract of the same amount of tons for the following crop year. The positive equity (less the roll fee) gets added directly to the price received for the following year's crop. The benefits to rolling rather than cancelling are a) the grower does not have to pay cash out of pocket and b) the roll fee is $0.10/bu lower than the cancellation fee.

Roll Price = Current Market Price For Next Crop Year + Equity - Roll Fee

Roll Cost = Negative Equity + Roll Fee

Equity = (Future Value when contract was made) - (Current market futures value)

Roll Fee = $0.30/bu $USD

Frequently Asked Questions (FAQ's)

Can I roll corn into soybeans or vice versa?
Yes, you are able to roll corn into soybeans or soybeans into corn. Wanna Make It Farm Grain Corp will gladly provide you with each option and you can make the decision that best suits your operation.

Why is there a roll fee?
The roll fee is in place to recuperate the transactional costs of hedging a grain contract, the opportunity cost of lost grain that was promised to the elevator, and the costs to go out and repurchase that grain on the open market to fill the position again. All elevators have different roll fees and there is no industry standard. Our fees are laid out in this document for transparency.

Why is the roll fee higher for contract cancelation than for contract rolling?
The roll fee is higher for contract cancellation to discourage growers from outright cancelling contracts. Contracts should always be made in good faith with the intention to deliver the physical grain as specified. The roll fee is $0.10/bu higher to cancel as we want to encourage all growers to deliver the contract or roll if delivery is not possible.

What if I overbooked my sales because of a Target Contract I forgot about?
All grain contracts and target contracts made are the responsibility of the grower to track and manage. In the unfortunate circumstance that crop gets overbooked due to a target contract hitting the grower is still contractually obligated to deliver that grain. If they cannot then the policies in this document apply.

Why do other elevators roll a different way?
Each elevator or grain dealer has the right to create and implement policies that are best suited for their business and for their clients. The policies outlined in this document are a representation of what Wanna Make It Farm Grain Corp understands to be the most fair and equitable practice.

What should I consider when deciding to buy out or roll?
When making this decision (depending on if you have positive or negative equity) it would be wise to understand the tax implications of taking a loss in the current year via contract cancellation or deferring that loss until the following year via a contract roll.

What if I am already fully sold for the following crop year and cannot roll?
In the event you are fully sold for the following crop year and do not have the capacity to deliver the contract next year at all then your obligation will be to either cancel the contract (buy out if negative equity) or assign the contract.