St. Clair Service Company

"To be the best"

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Grain Handling Services

. Since 1931 St Clair Service Company has made a considerable investment in facilities, transportation, and information services to meet you're ever changing needs. We anticipate continued upgrades to meet the demands of todays and tomorrow's ever changing markets.

Grain Marketing Alternatives

At St Clair Service Company we are in business to serve you. Our goal is to provide the grain handling and marketing alternatives. Necessary to maximize your profit.

This page is to better acquaint you with the marketing alternatives we offer, as well as our grain storage and conditioning services. Please remember that the fees shown are variable due to market conditions and can change without notice. It is advisable to call and confirm current charges.

St Clair Service is a state licensed grain dealer and warehouse. This licensing assures you that our facilities meets applicable state and federal regulations, and undergoes state examinations at least annually, and annual independent audits by a certified public accountant firm. They review of our accounting practices, inventory insurance coverage, and our grain inventory quantity and quality. The integrity of stored grain is covered under the Illinois Grain Insurance fund.

If you have any question or concerns please feel free to call or stop by any of our three elevators, our employees will be happy to help with any concerns you might have.

Spot Sale

"Spot" grain is a cash sale at the nearby market price. The market price used is our closing bid from the night before, and adding /subtracting Chicago Board of Trade values at time of unloading when board is active.

With this alternative the price is not established ahead of time, therefore you are at risk of price fluctuation between the time of delivery and disposition.

Storage

Storage allows you to deliver grain to the elevator while still having ownership. We warehouse your grain, guaranteeing the quality of the grain. Grain to be stored is upgraded to quality standards to ensure long term storability. Grain delivered below those standards is discounted and upgrades to meet the demands of today's market. Warehouse receipts are available on stored grain if needed for collateral.

Advantages

You maintain title to the grain
Quality risk transfers to St Clair Service

You can avoid selling at harvest low prices
Stored grain may be used as collateral
Stored grain can be sold at a later date with only a phone call for any bushel amount, not subject to weather, etc.

Disadvantages

Depending on market conditions, storage costs may be higher than other alternatives

Charges

Current storage rates for harvest delivery are a .15 cent delivery or “in charge” plus 1/10 cent per bushel per day storage charge through August 31st of the next year. Old crop grain left after August 31 is subject to a new minimum storage charge.

Cash Sale Contract

In a cash sale contract you contract to sell a specific bushel of grain at the nearby bid. The price, quantity, and delivery period are all specified in the contract.

Advantages

Price is fixed; you have no further price risk
Quality risk after delivery is transferred to buyer
Money is available upon completion of delivery
If for tax reasons, you wish to defer payment, payment can be deferred to a later date at your request.

Disadvantages

Flexibility in pricing and delivery period is eliminated

Forward Contract

A forward contract is used to lock in a price for grain at a future date. The price, quantity, and delivery period are established in the contract. Any variance in these terms must be agreed upon in advance by the buyer and the seller.

Advantages

An attractive price can be locked in for a future delivery period
You can lock in an attractive “carrying charge” on either farm stored or elevator stored grain
You can deliver grain at a later date without downside risk.
You can plan on the quantity, price, and delivery period according to your needs
Downside price moves are avoided. You may avoid a weak harvest price by forward contracting.

Disadvantages

Grain must be delivered as contracted regardless of market conditions between the time of sale and the time of delivery
Upside price movement is lost
You must maintain quality of farm stored grain between the time of sale and delivery
Forward contracts are written with the intention of taking delivery and cancellation is not encouraged. Cancellation costs and Fees are market driven and can change without notice. Cancellations are required to be pre-arranged

Basis Contract

A basis contract allows the seller to maintain some pricing flexibility. In a typical cash sale contract the cash price is determined by taking the Chicago Board of Trade (CBOT) futures and adding/subtracting the basis level to it. In a basis contract the quanity , delivery period, and the basis component of the price are established at time the contract is written. The CBOT price is left open to be established at a later date. At that later date the final price is established by adjusting the CBOT futures price by the previously established basis level.

The basis contract can be used to capture a historically high basis levels, or to move grain while waiting a CBOT rally. The Futures option month that the contract is to be priced off of is established in the contract, as is the date by which the final price must be established. It may be possible to amend the contract to price off of a different CBOT futures contract month to provide you with more flexibility. If this is done, however, the basis level will be amended by the spread between the two contracts months, plus a service charge to cover increased charges and the additional commission charges incurred by the elevator.

Advantages

Downside basis risk is eliminated
You may take advantage of future CBOT rallies
You may be able to avoid weak harvest basis levels
On grain delivered but without the final price fixed you may receive up to 70% advance
Quality risk is passed to the buyer upon delivery

Disadvantages

Any future basis improvements are forfeited. There is still a downside risk on CBOT. Futures may not improve
If CBOT falls far enough you may have to return part of the advance.
Effective use requires knowledge of local basis tendencies

Hedge To Arrive Contract

The Hedge To Arrive Contract is another method of moving grain while maintaining pricing flexibility. In the Hedge To Arrive Contract the delivery period, quantity, and the CBOT price are established at the time the contract is written, but the basis level is left to be set at a later date. (A Hedge To Arrive Contract is the opposite of a Basis Contract) A date by which the contract must be priced is determined and included in the contract terms when it is written. The contract must have its final price determined by the time of delivery.

Advantages

No margin calls or exchange fees, only a service charge built into the contract price
You can protect against CBOT declines while maintaining the ability to capture basis improvements

Disadvantages

In the event of a crop failure a cancellation charges may be assessed in addition to any market differential
Since the CBOT price is set you are unable to take advantage of CBOT rallies
Requires a familiarity with local basis levels by the seller
You cannot trade in and out of a HTA contract as you can in a futures contract

Delayed Price Contract

A Delayed Price Contract, (also known as Price Later or Deferred Price Contract) allows you to move grain without Establishing any price. The changes for a Delayed Price (DP) Contract are highly variable, changing with current market Conditions. Once the DP contract is written those changes are fixed and will not change for that particular contract.

It is important to note that in a DP contract the title of the grain goes to the buyer upon delivery. You are therefore unable to use DP grain as security collateral for loans.

The delivery period, service charge, and the date by which pricing must be fixed are established in the initial contract.

Service charges are determined by market conditions. They can vary widely, from no charge to much higher than storage.

Advantages

You can make delivery and defer pricing to a later date
Within established terms you can pick the time to price
Pricing is separate from the delivery of the grain
Quality risk passes to the elevator upon delivery
Basis and CBOT price remain open

Disadvantages

Basis and CBOT price remains open
Dependent on financial stability of the elevator (DP grain is in an inferior creditor position to stored grain)
This is not storage, title passes to buyer upon delivery, and buyer can move this to market.

St Clair Service Company will continue to search for other marketing alternatives. We hope to increase your marketing flexibility through a variety of marketing tools. There are advantages and disadvantages to each one of these contracts. There is a time and a place for each and no one works best in all circumstances. Which one you choose should depend on current market conditions, your expeditions, your comfort level with the particular marketing alternative in question, and the amount of price risk you are able and comfortable in taking.