Market Family

Minimum Price

Dynamic Protection

With markets in flux, locking in a guaranteed floor price can provide needed confidence in your marketing plan. Cargill® Minimum Price allows you to select a floor price of your choosing, maintain upside, and retain the control to price out at anytime. There are a wide variety of additional strategies and combinations that can be utilized as part of a Minimum Price contract depending on your market outlook.

When is it used?

Minimum Price is a complement to any grain marketing plan at any time of year. It provides a floor price to insulate you from a volatile world—while maintaining upside participation.

What are the advantages of the Minimum Price contract?

- ☐ *Investments are deducted from the contract price, not paid up front*
- ☐ *Trade at any time of the day regardless of the market being open or closed*
- ☐ *Write the contract for any quantity*
- ☐ *You establish the floor of your choice*
- ☐ *You establish the pricing period of your choice*
- ☐ *There are a variety of available strategies using put or call premiums in combination*

Additional Features

- ☐ *You can convert a variety of contracts to Minimum Price contracts*
- ☐ *You do not own an option, it is being used as a re-pricing mechanism*

See ***example*** *on back* ▸

Minimum Price

How does it work?

Example On October 15th, Cargill® posts a cash bid of $4.38 per bushel for harvest delivered corn. You expect the market to improve, but you don't want to pay storage costs. You could also use some cash at harvest to meet other obligations. You enter into a Cargill Minimum Price contract with your local elevator to sell 10,000 bushels of corn at the cash bid. You choose a $4.50 strike price for July futures of the next year for an investment of 35 cents. Since the pricing formula for the contract is based upon exchange traded options, the contract pricing deadline is June 21 of the next year, the same as the exchange traded option.

You have locked in a worst case, guaranteed minimum price of $4.03 ($4.38 cash – 0.35 investment). A number of scenarios are possible:

Scenario 1

On March 27th, July corn futures have risen to $5.02. The market has achieved your pricing objective and you decide to re-price your Minimum Price contract:

$4.03 Minimum Price
+0.65 Re-pricing value of the option
-0.03 Service Fee

$4.65 is your final contract price

Scenario 2

On June 21st, July corn futures have fallen to $4.12. Your Minimum Price contract has expired and there is no value remaining in your option:

$4.03 Minimum Price
+0.00 Re-pricing value of the option

$4.03 is your final contract price