

# AVERAGE PRICE PROGRAMS

### Fall 2020 thru Fall 2021



# POET Grain Average Price Program

- Select a delivery period to enroll bushels
- Select a pricing period that will determine the average price based on daily CBOT settlements
- Establish basis anytime up to delivery

#### How it Works

- Number of bushels priced daily will be equal to number of unpriced bushels remaining divided by number of trading days remaining in your pricing period.
- You can always price remaining unpriced bushels at any time.
- You can set the basis any time prior to delivery.

Delivery Period:	Oct - Dec '20 Prog #23	Jun—Jul '21 Prog #24	Oct—Dec '21 Prog #25	Jun—July '21 Prog #26	Oct-Dec '21 Prog #27
Futures Month:	May '21 (CK21)	July '21 (CN21)	Dec '21 (CZ21)	Sep '21	Dec '21 (CZ21)
Pricing Period:	Jan 4, 2021— Mar 31, 2021	Jan 4, 2021— May 28, 2021	Jan 4, 2021— Jun 30, 2021	Jun 1, 2021— Aug 31, 2021	Jun 1, 2021— Aug 31, 2021
Pricing Days:	61 Days	102 Days	124 Days	65 Days	65 Days
Fee Per Bushel:	\$.05	\$.05	\$.05	\$.05	\$.05
Sign Up Deadline:	Dec 21, 2020	Dec 21, 2020	Dec 21, 2020	May 24, 2021	May 24, 2021

<sup>\*</sup>Basis must be set <u>prior to delivery</u> for all Average Price Contracts at locations posted bid.

## Example:

You enter into an Average Price contract to sell 5,000 bushels of corn for November 2020 with a pricing period of Jan 4, 2021 thru Mar 31, 2021. (61 days) for an investment of 5 cents. The Average Price contract guarantees that your futures price will be the average of the daily close during the pricing period.

5,000 bushels / 61 days = 82 bushels per day will be priced during the pricing period.



Scenario #1: The Average daily futures settlement for the period was \$4.00.

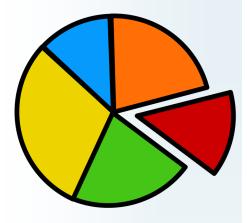
\$4.00 Average Settlement Price
-\$.05 Avg Price Contract Fee
-\$.10 Basis (varies by location)

\$3.85 Cash Price

Scenario #2: Midway thru the pricing period CBOT Futures have rallied 30 cents higher. You decide to price the remainder of the unpriced bushels on the Average Price contract. The average price up to that date is \$3.90 on 2,500 bushels that have been priced so far. The remaining 2,500 bushels are priced at an average of \$4.20 making the new average price on the entire 5,000 bushels \$4.05.

\$4.05 Average Settlement Price
-\$.05 Avg Price Contract Fee
-\$.10 Basis (varies by location)

\$3.90 Cash Price



# Portfolio Approach

A Portfolio Approach to grain marketing can diversify your marketing efforts.

Any given year can change which marketing approach works best.

Average Price contracts are solid and traditional foundations to a diverse marketing program.