Jewell

MINIMUM PRICE +

What is a Minimum Price Plus contract?

The **POET Minimum Price Plus** contract is the same as a Minimum Price, but is tied to a double obligation commitment. This option allows you to lock in a lower cost minimum price contract, while still taking advantage of futures advances on the board.

The lower cost is generated by a firm offer for a like amount of bushels on a future delivery period, with a set target price and date.

Advantages:

- **You establish the quantity, floor price, and pricing period**
- **Opportunity to capture gains when there is an increase in the futures price or early on in the trade**
- **Fees are typically 8-14 cents less than a single obligation MP**
- **You get to deliver the corn now and get paid the minimum price**

Disadvantages:

- **There is a fee associated with this contract**
- **Possible loss of the fee you paid if the futures price moves sideways or decreases**
- **Potential offer of like bushels may fill**

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How it works:

The **Minimum Price Plus** contract allows you to deliver and get paid now; less the investment cost, all while still having the potential to take unlimited upside gains later, and potentially pricing future bushels.

Example:
The current cash bid is $3.00, and you select a July 2021 $3.60 MP which has an investment cost of $0.25/bu.

Here's the Math on the *MP* option:

Current Cash Price	$ 3.60
Min. Price Investment	- 0.25
Cash Price	$ 2.75

While you like the MP value and potential that you have to make gains with the $3.60 futures, you don't like the $.25/bu investment cost. To reduce that fee, you decided to add a double obligation. This is similar to Premium Plus in that you have a strike price and strike date for an agreed upon target offer. In this case we pick the September $3.90 strike price, which reduces your fee by $0.12/bu to $0.13/bu.

Here's the where you stand now:

Current Cash Price	$ 3.00
Min. Price Investment	- 0.25
DO Fee Reduction	+ 0.13
Cash Price	$ 2.87

You will be paid $2.87 upon delivery of the grain.

For the MP portion, the July 2021 $3.60 option expires on 6/25/2021. If at anytime up to 6/25/2020, there is value in the call, you can choose to execute the option and take any gains.

For the D.O. Target, the September $3.90 strike price has an expiration date of 8/27/2021; on 8/27/2021 if the September 2021 futures close at $3.90 or above, this will trigger a double obligation commitment.

The following page shows some examples of different scenarios that could take place with the **Minimum Price Plus** contract:

MP Scenario 1:

Strike Price: $3.60/CN1

Expiration Date: 6/25/2021

Market closes higher at $4.00 CN1 on expiration date and add the value of the option to your minimum price.

Your premium is around $0.40/bu

MP Scenario 2:

Strike Price: $3.60/CN1

Expiration Date: 6/25/2021

Market closes lower at $3.40 CN1 on expiration date.

No additional gains are paid out. Strike is below current futures and no time value remaining due to expiration date.

MP Scenario 3:

Strike Price: $3.60/CN0

Expiration Date: 6/25/2021

You are still a couple of months from your option expiration date; however the market is up and the July futures are trading at $4.00/bu. Rather than risk waiting until the expiration date, you decide to call in and take the value of the call. The premium will be at least $0.40/bu.

Double Obligation Scenario 1:

Strike Price: September $3.90

Expiration Date: 8/27/2021

Market closes lower on expiration at $3.50 CU1 on strike date. You do not owe like amount of bushels.

Double Obligation Scenario 2:

Strike Price: September $3.90

Expiration Date: 8/27/2021

Market closes higher at $4.00 CU1 on strike date. You owe a like amount of bushels at $3.90 futures +/- basis depending on which delivery month you select.

Key Points to Remember :

- **Any** combination of the above scenarios could take place on the contract
- If you want to take any gains on the MP portion of the contract, prior to option expiration, **you must call POET Jewell to exercise the option**