Laddonia

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:

- **Cash Price is set, along with quantity, floor price and option month**
- **Allowed to participate in future board rallies**
- **Producer can execute on the any board rallies at any time throughout the option month period.**
- **Fees are less than a single obligation MP due to buying and selling a call**

Disadvantages:

- **You may be subject to service charges.**
- **You may have a secondary obligation requirement if strike price hits**
- **Possible loss of the fee you paid; if the futures price decreases.**
- **Requires 5000 bushel increments**
- **No board rallies will result in not gain on existing price**

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 $3.60, and you select a July $3.80 MP which has an investment cost of $0.12/bu.

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

Current Cash Price	$ 3.60
Min. Price Investment	- 0.12
Cash Price	$ 3.48

While you like the MP value and potential that you have to make gains above the $3.80 futures, you don't like the $.12/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 $4.10 strike price, which gives you .10 cent premium. This in returns puts you down to a .02/bu fee.

Here's the where you stand now:

Current Cash Price	$ 3.60
Min. Price Investment	- 0.12
DO Fee Reduction	+ 0.10
Cash Price	$ 3.58

You will be paid $3.58 upon delivery of the grain.

For the MP portion, the July $3.80 option expires on 6/21. If at anytime up to 6/21, the July futures climb above $3.80, you can choose to execute the option and take any gains.

For the Double Obligation— the September $4.10 strike price has an expiration date of 8/23; on 8/23 f the September futures close at $4.10 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:

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MP Scenario 1:

Strike Price: $3.80 July Futures

Strike Date: 6/21

Market closes at $4.00 on 6/21 for July Futures and you exercise the option

You gain $0.20/bu on the MP side of the contract.

MP Scenario 2:

Strike Price: $3.80/ July Futures

Strike Date: 6/21

Market closes at $3.50 on 6/21 for July futures

No additional gains are paid out as it closed below the 3.80 strike price.

Double Obligation Scenario 1:

Strike Price: September $4.10

Strike Date: 8/23

Market closes at $4.40 on 8/23 for September futures

You owe a like amount of bushels in September/August at $4.10 futures +/- current basis.

Double Obligation Scenario 2:

Strike Price: September $4.10

Strike Date: 8/23

Market closes at $4.00 on 8/23 for September futures

You owe nothing.

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 Laddonia to execute on the option**.