## MIN/MAX CONTRACT



# What is a Min/Max price contract?

The **POET Min/Max** contract allows you to sell your corn today for a set floor price, while still enabling you to participate on the upside of the futures market to a set Max Price.

This option comes in at a lower cost of a regular Minimum price contract due to the limited upside potential; since a maximum futures price is established. It can be beneficial to those of you who are seeking to lock in a floor price, but believe that there is still upside potential in the futures market.



## **Advantages:**

- You establish the quantity, floor price, ceiling price and pricing period.
- Ability to set the final cash price at any given time (market may be open or closed).
- Opportunity to capture gains at any time, before option expiration.

## **Disadvantages:**

- You may be subject to service charges.
- Limited upside potential.
- Possible loss of the fee you paid if the futures price decreases.

## **How it works:**

The Min/Max contract allows you capture market gains up to option expiration, you can move your bushels now, and the fees are much less than a regular Minimum Price contract. This contract is a good stepping stone for those who are considering an MP, but do not want to pay the higher investment costs for one.

#### **Example:**

The current cash bid is \$6.65 and you select the **March 6.70/7.10 Min/Max** strike prices, which have an investment cost of \$0.16.

#### Here's the math:

Current Cash Price \$6.65 Min/Max Investment - \$0.16 Cash Price \$6.49

You will be paid \$6.49 upon delivery of the grain, the **March 6.70/7.10 Min/Max** strike prices have an expiration date of 2/24; if at anytime up to that date the March futures climb above \$6.70 and up to \$7.10, you can choose to execute the option and take limited gains.

Here are a couple of different scenarios that could take place:

#### Scenario #1:

Expiration date: 2/24

Min/Max Range: 6.70/7.10

The March futures are at or above \$7.20 on 2/24; you net back a \$.40/bu gain; which is paid back on a separate check. You can only gain the difference between your min and max.

### Scenario #2:

Expiration date: 2/24

Min/Max Range: 6.70/7.10

The March futures close at \$7.00 on 2/24; you net back \$0..30/bu gain that will be paid on a separate check.

## Scenario #3:

**Expiration Date: 2/24** 

Min/Max Range: 6.70/7.10

The March futures are below \$6.70 on 2/24. The option will expire worthless and no additional gains will be paid out.

## **Keys to Remember:**

- The difference in the strike prices is the most that you can earn back.
- You can customize the min/max ranges.
- You must call us to execute both options (both must be executed at the same time)