POET grain

Preston

MINIMUM PRICE

What is a minimum price contract?

The **POET Minimum Price** contract allows you to sell your corn today for an accepted floor price while still enabling you to participate in the futures market.

This option is beneficial to those of you who are seeking to lock in a floor price, but believe that there is upside potential in the futures market.

Advantages:

- **You establish the quantity, floor price, and pricing period**
- **Ability to set the final cash price at any given time prior to expiration**
- **Opportunity to capture gains when there is an increase in the futures price**

Disadvantages:

- **You may be subject to service charges**
- **Possible loss of the fee you paid if the futures price decreases**

How it works:

A Minimum price contract will allow you to deliver now, and get paid now for the Minimum price that was locked in; all while still having the potential to take unlimited upside gains later. This option allows you to still participate in any upside market potential, while delivering bushels at a time convenient for you.

Example:
The current cash bid is $3.94, and you select the July 2017 strike price of $4.00, which has a $.28 cent option cost.

Here's the math:

Current Cash Price	$3.94
Min. Price Investment	- 0.28
Cash Price	$3.66

You will be paid $3.66 upon delivery of the grain, the July $4.00 strike price has an expiration date of 6/22/2018; if at anytime up to that date the July futures climb above $4.00, you can choose to execute the option and take any gains.

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

Scenario #1:

Expiration Date: 6/22/2018

Strike Price: $4.00

On 6/22, the market closes at $3.90 N futures. Since we are below the $4.00 strike price, there are no gains to be had. The option will expire worthless.

Scenario #2:

Expiration Date: 6/22/2018

Strike Price: $4.00

On 6/22, the market closes at $4.50 futures. The closing price is $0.50 above the strike price. You will have a check cut for the additional $0.50/bu.

Scenario #3:

Expiration Date: 6/22/2018

Strike Price: $4.00

You are still a couple of months from your option expiration date; however the market is up and the July futures are trading at $5.00/bu. Rather than risk waiting until the expiration date, you decide to call in and execute your option early.

Keys to Remember:

- You may execute your option at any point up to option expiration
- You *must* call us to execute
- Option must be executed at or above the strike price
- If not executed, the option will expire worthless (zero gain)

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