

MIN-MAX CONTRACTS

A Min-Max contract establishes a minimum price protecting you against lower prices, but permitting participation if the market rallies up to a predetermined maximum price using exchange traded options. The final price of the Min-Max contract will be the minimum price plus any value the option positions provide if the market is above the minimum prior to the expiration of the option.

Advantages:

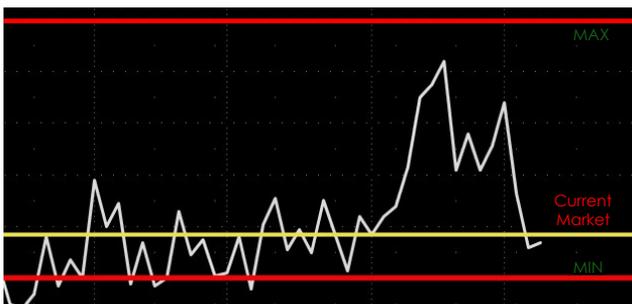
- Provides a price floor
- Has a reduced cost when compared to a Minimum Price contract as it offsets high-option premiums in exchange for a ceiling above the market
- You can set the final cash price at any time during CBOT market trading hours
- No upfront premium - Wheat Growers covers the premium and deducts it from the ending price
- Ability to roll up to higher strike prices if the market rallies to increase the minimum price level and still participate in further market appreciation
- Risk Parameters are known and costs are easily identified

Key issues and risks:

- Does not permit trading in and out of markets as delivery is expected
- The upside potential price of this contract is limited to the maximum price
- Depending on option strike prices and volatility, it may cost more than storage rates
- Requires selling in 5,000 bushel increments

What are the costs associated with Min-Max Contracts?

- To initiate a Min-Max contract it costs \$0.03/bu
- The new rolling feature that allows you to improve your minimum price if the market rallies costs \$0.01/bu for each roll. The amount of times you can roll your strike price is not limited.
- Producer has the option to place orders to lift off the ceiling (Max) if prices drop to levels that make economic sense. *For example: If the producer sold a call option for \$0.10 and is able to buy it back at \$0.01 we could place an order to remove the maximum price in the event the market would rally prior to option expiration.*



EXAMPLE: DEC 17 CORN 380-480 MIN-MAX

	Min	Max
Dec Futures	3.80	4.80
Net Premium	- .12	- .12
Service Fee	- .03	- .03
Net Futures Price	\$3.65	\$4.65