Premium Plus Contracts

What It is: A Premium Plus contract is a multicomponent contract that gives you a premium over the cash price for corn to be contracted and delivered.

How it works: A premium is gained by selling a call. That call is your "double obligation bushels". The call will have a strike price and a expiration date tied to it. If on first notice day the market closes at or above your "double obligation strike price" you will owe POET a like amount of bushels from the first contract at the strike price minus the current basis. If it closes under your strike price you owe POET nothing more. No matter if the strike price hits or not you keep the premium associated with the first set of bushels.

Advantages:
Eliminates risk of price decline or basis widening
Premium for bushels
Money is available upfront
Cost is easily identifiable
No fees

Disadvantages :
Cannot stay in the market
Basis locked; doesn't allow for participation in basis improvements
Requires 5000 bushel increments
Unknown until first notice day of strike price whether you will have to haul more bushels or not

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FS HOTLINE 316-609-3966												
2/27/17 8:55 AM			*indicates last traded price; No bid/ask available									
			Minimum Price		Premium Plus		MP+ vs JUL 17 - 430		MP+ vs SEP 17 - 430		Min/Max	
FARMER COST (est)				MIN PRICE	DO/Str	DO/Prem	MIN Price w/DO		MIN Price w/DO		Limited Particip	
MAY 17	369.25	C K7C	370	14.00	410	-1.50	8.25	vs JUL 17	0.75	vs SEP 17		370/410
MAY 17	369.25	C K7C	380	10.00	420	-2.00	4.50	vs JUL 17	-3.25	vs SEP 17		380/420
JUL 17	377	C N7C	380	21.50	430	2.50			8.25	vs SEP 17	15.75	380/430
JUL 17	377	C N7C	390	17.75	440	0.75			4.50	vs SEP 17	14.00	390/440
SEP 17	383.25	C U7C	380	32.50	430	10.25					19.25	380/430
SEP 17	383.25	C U7C	390	28.25	440	8.25					17.00	390/440
DEC 17	390	C Z7C	390	35.00	440	13.25					18.75	390/440
DEC 17	390	C Z7C	400	31.25	450	11.00					17.00	400/450

Premium Plus Example

CORN

USDA has adjusted the calculations of LDP data.
Click here for more information.

Delivery	Cash Price	Futures Month	Futures Price	Futures Change	Basis
Feb 17	3.49	@C7H	363'6	-0'2	-0.15
Mar 17	3.49	@C7H	363'6	-0'2	-0.15
Apr 17	3.56	@C7K	371'2	0'4	-0.15
May 17	3.56	@C7K	371'2	0'4	-0.15
June 17	3.58	@C7N	378'4	0'2	-0.20
July 17	3.58	@C7N	378'4	0'2	-0.20
Aug 17	3.63	@C7U	384'6	0'2	-0.22
Sep 17	3.60	@C7U	384'6	0'2	-0.25
Oct 17	3.61	@C7Z	391'2	0'2	-0.30
Nov 17	3.71	@C7Z	391'2	0'2	-0.20
Dec 17	3.71	@C7Z	391'2	0'2	-0.20
Jan 18	3.75	@C8H	399'6	0'2	-0.25

Price as of 02/27/17 07:32AM CST.

Ex. If we choose April 2017 as our delivery period ($3.56) and buy a Sept'17 $4.30 call, the expiration date of your double obligation will be August 25, 2017. Your Premium price contract will read as follows. $(3.71 futures) - (.15 basis) = $3.56

(+) ($.1025 cost of the call option) = $3.6625. This is your cash price for you April corn.

If on August 25 the Sept futures close at $4.30 or above you will owe us the same amount of bushels contracted on the April contract for $4.30-current basis. If it expires under $4.30 you owe us no bushels and keep your premium on the delivered corn.

POET