Grain Pricing Order
Grain Marketing Contract

What is a Grain Pricing Order?
• A Grain Pricing Order (GPO) is an order to sell a specified amount of grain if the market reaches a desired price level within a given time period
• A GPO can be applied in the following situations:
  - To create a Deferred Delivery contract (futures +/- basis)
  - To apply a futures price to a Fixed Basis contract (futures only)
• GPOs can be used for unpriced grain, unharvested grain or grain that is not yet grown
• A GPO is most beneficial when the futures market is volatile
• GPOs require the establishment of the grain quantity, grade, delivery period, target price and order expiration date
• The expiration date specified should be long enough to take advantage of market movement (i.e. two weeks) but short enough to not forget about the commitment (i.e. three months)
• Provided the GPO is not filled, the target price can be changed
  - It is suggested that the price be changed no more than once or twice during the pricing period (if the grower continually moves the target price above the market there is a chance the order will not get filled)

Who should use a Grain Pricing Order?
• Growers who have a specified selling price in mind
• Growers who do not have time to monitor the market

When should a Grain Pricing Order be used?
• When futures prices are volatile and growers feel the market will increase
• When the desired selling price is above the market and there is a chance the market will reach the selling price level prior to delivery

Benefits:
• GPOs instill a sense of discipline into a marketing plan by removing some of the emotion attached to making the pricing decision
• GPOs save time by allowing Cargill to monitor the market for the desired price level
• GPOs are traded regularly throughout the day, allowing growers to benefit from market rallies
• GPOs eliminate the worry associated with missed pricing opportunities if the price reaches an acceptable level
• GPOs provide flexibility as they can be entered into at any time
Risks:
- The market reaches the target price but continues to increase after the GPO has been executed
- The market may not reach the target price
- The market may reach a level close enough to the predetermined price but decrease prior to the expiration date

How does a Grain Pricing Order work?
- If the market price hits the desired target price established on the GPO prior to the expiration date, the grain is automatically sold
- If the market price does not hit the desired target price prior to expiration, the order expires on the expiration date
- GPOs are monitored daily by Cargill’s grain hedging coordinator
- GPOs are filled while the market is traded, not at the daily close
- There is no delivery commitment until the GPO is filled (if the basis has not been established at an earlier date)

Example:
On January 1 you enter a GPO to establish a May futures price at $285.00. The current May futures are trading at $275.00 and the order is set to expire in two months on March 1.

Scenario 1: The market reaches a peak of $286.00 on January 26 then begins to fall.
- Since the market reached the GPO trigger price of $285.00, the GPO is triggered and the cash grain contract is established with a futures price of $285.00
- In this case, you were able to lock in a futures price prior to the market falling without having to closely monitor the market

Scenario 2: The market reaches $285.00 on February 18 and continues to increase thereafter.
- Since the market reached the GPO trigger price of $285.00, the GPO is triggered and the cash grain contract is established with a futures price of $285.00
- In this case, you were able to lock in the desired futures price
- Prior to the GPO triggering, you have the option to increase the trigger price if you feel the market will continue to increase and exceed your established futures price

Scenario 3: The market reaches $283.00 on February 23, stabilizes then begins to fall.
- The GPO is not triggered
- In this case, you were not able to receive your desired futures price for your production

For more information please drop by your nearest Cargill location, contact your Cargill representative or call 1-888-855-8558.