Cargill® Helping the world thrive

Premium Offer

What is the Premium Offer contract?

A Premium Offer contract provides the customer with a premium on a new or existing grain contract in exchange for a Contingent Offer in the future. The Contingent Offer is for like quantity and will convert to a firm delivery obligation if the futures price on an established pricing date settles at or above a Target Price.

Should I use this contract?

Yes, if you:

- Are not happy with today's price.
- Understand your cost of production and feel confident establishing an appropriate target price.
- Have additional unsold production to cover the Contingent Offer.
- Want to add diversification to your grain marketing plan.

What are the advantages of this contract?

- It provides an enhanced cash price today.
- You may select from a variety of Contingent Offer Prices, Pricing Dates and Premium values.
- There is no obligation to deliver more grain unless the Contingent Offer is triggered.
- You retain the Premium even if the Contingent Offer is not triggered.
- You gain peace of mind with the conversion feature allowing early price out.

Definitions:

PREMIUM: A per bushel premium included in grain price.

CONTINGENT OFFER: Agreement to sell like-for-like bushels to Cargill at the Target Price (less the applicable basis) if the futures price on the Pricing Date meets or exceeds the Target Price.

TARGET PRICE: Futures reference price for the Contingent Offer bushels.

PRICING DATE: Day the Premium Offer will expire (i.e., the Target Price will be compared to the futures closing price for that day only).

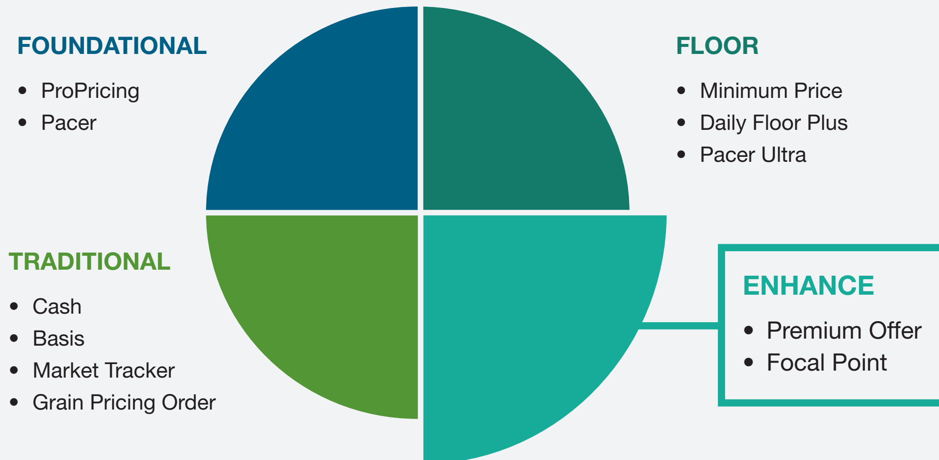
How Premium Offer works

On **March 15** you enter into a Premium Offer contract to sell 100MT of March delivered canola. You receive a **$20/MT** premium above the current bid in exchange for your contingent offer to sell 100MT of grain for October delivery using a **September 17** pricing date, and a **$470** November contingent offer futures price.

The local cash bid is **$460/MT** for March delivered canola. Your final cash price for your March delivered canola, regardless of the Contingent Offer outcome, is **$460 + $20 = $480/MT.**

Scenario 1	Scenario 2	Scenario 3
On **September 17** (the Contingent Offer Pricing Date), the futures close at **$450**, below the **$470** Contingent Offer Price.	On **August 2** the futures rally to **$490**. On **September 17** the futures close at **$465**, below the **$470** Contingent Offer Price.	On **September 17** the futures close at **$475**, above the **$470** Contingent Offer Price.
You have no obligation to deliver the Contingent Offer bushels.	Even though the Contingent Offer future price did not hit, you have an obligation to deliver the Contingent Offer since you set basis.	You have an obligation to deliver 100MT of October delivery grain at the **$470** Contingent Offer Price.

How does Premium Offer fit into your grain marketing plan?



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