Premium Offer™

Boost Your Bottom Line

Looking for a way to boost prices? Need to establish a marketing plan? Cargill® Premium Offer does both. It pays you a premium for your grain above and beyond the cash price. The premium is paid in exchange for a firm offer to sell additional grain for deferred delivery at an established price.

When is it used?

Premium Offer should be considered anytime you want to enhance your grain price while at the same time establish a firm offer to sell additional grain for deferred delivery. Offers can be made when selling new crop, or old. The offer will enforce a scale-up marketing discipline to take advantage of potential market rallies.

What are the advantages of the Premium Offer contract?

- ☐ *Allows you to capture a premium on grain*
- ☐ *You choose the firm offer price and pricing date for the firm offer*
- ☐ *You have no obligation to deliver the grain on firm offer if futures close below the firm offer price on the pricing date*
- ☐ *You may set the basis for the firm offer on the day of writing the contract or any date prior to the firm offer pricing date (local policies may vary)*
- ☐ *Setting a firm offer can be a critical piece of a marketing plan*

Additional Features

- ☐ *Can be tied to a wide variety of grain sale contracts*
- ☐ *You keep the premium regardless of the firm offer outcome*

*See **example** on back* ▶

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How does it work?

Example On March 15th, you enter into a Cargill® Premium Offer contract with your local elevator to sell 10,000 bushels of March delivered corn. You receive a premium of 30 cents above the current bid in exchange for your firm offer to sell 10,000 bushels of grain for October delivery using a September 17th pricing date, and a $5.50 December firm offer futures price. The local cash bid is $5.05 for March delivered corn. Your final cash price for your March delivered corn, regardless of the firm offer outcome, is $5.05+$0.30 = $5.35.

You decide to set the basis for the firm offer, which is 25 cents under the December corn futures. The cash price of your firm offer would be $5.25. A number of scenarios are possible:

Scenario 1

On September 17th (the firm offer pricing date), the futures close at $4.29, below the $5.50 firm offer price. You will have no further obligation to deliver 10,000 bushels of grain for October delivery.

Scenario 2

On August 2nd, the futures rally to $5.67. The grain on firm offer cannot be repriced since it can only be priced on the firm offer pricing date. On September 17th, the futures close at $5.35, below the $5.50 firm offer price. You will have no obligation to deliver 10,000 bushels of grain for October delivery.

Scenario 3

On September 17th, the futures close at $5.77, above the $5.50 offer price. You will have an obligation to deliver 10,000 bushels of October delivery grain with the $5.50 firm offer price used to calculate your final contract price:

$5.50 Firm Offer futures price
-0.25 (under) Basis you established

$5.25 Your final contract price