Focal Point

What is the Focal Point contract?

A Focal Point contract allows customers to participate in potential upside market moves, experiencing penny-for-penny price participation, up or down.

Should I use this contract?

Yes, if you:

- Are not happy with today's cash price and believe the market has upside potential.
- Need to deliver grain now given lack of storage or cash flow needs.
- Don't want to pay the cost of commercial storage fees.
- Want to express a bullish market bias on an existing grain contract.

What else do I need to know about Focal Point?

- Once you have delivered your grain, you will receive an advance payment for a portion of the contract value. The balance will be paid once the Focal Point Adjustment Amount has been determined.
- It is important to understand you are taking on price risk, and if the market goes down your grain price will likewise decrease.

How does it work?

- Enter into a new flat priced grain contract or you can add to an existing grain contract as long as the futures price is established.
- Select your Focal Point Futures Reference Month and establish an Initial Focal Point Price.
- Set a goal for the Final Focal Point Price.
- Monitor the market prices and experience penny-for-penny price participation, up or down.
- Establish your Final Focal Point Price at any time leading up to the Final Pricing Deadline of your Focal Point contract.
- The difference between your Initial and Final Focal Point Prices (the Focal Point Adjustment Amount) will be included as a part of the contract pricing formula.

How Focal Point works

EXAMPLE 1: NEW GRAIN CONTRACT

On **November 1**, you need to sell 10,000 bushels of corn to free up storage space, but you're not happy with the current cash bid of **$3.50/bu**. You believe that corn market prices will improve compared to current levels, so you enter into a Focal Point contract at the same time you deliver. You select July as the futures reference month and establish the Initial Focal Point Price at **$3.90.**

On May 15, you contact your Cargill rep to establish your Final Focal Point Price.

	Scenario 1 July corn futures price has risen to $4.10	**Scenario 2** July corn futures price has fallen to $3.80
Cash Price	$3.50	$3.50
Focal Point		
Final Focal Point Price	$4.10	$3.80
- Initial Focal Point Price	$3.90	$3.90
= Focal Point Adjustment Amount	$0.20	-$0.10
Focal Point Cost	-$0.03	-$0.03
Final Cash Price	$3.67	$3.37

EXAMPLE 2: EXISTING GRAIN CONTRACT

On **April 10**, you decide to enter into a No Basis Established (NBE) contract by locking in **$4.00/bu** December futures price component knowing that if the market conditions change, Cargill offers Focal Point. On **June 10** you feel the market has dropped too low given the growing season ahead and feel the market may improve in the coming weeks. You enter a Focal Point with an Initial Focal Point Price at the current December futures price of **$3.50**.

On July 15, you contact your Cargill rep to establish your Final Focal Point Price.

	Scenario 1 December futures price has risen to $3.80	**Scenario 2** December futures price has fallen to $3.20
Cash Price	$4.00	$4.00
Focal Point		
Final Focal Point Price	$3.80	$3.20
- Initial Focal Point Price	$3.50	$3.50
= Focal Point Adjustment Amount	$0.30	-$0.30
Focal Point Cost	-$0.03	-$0.03
Final Cash Price	$4.27	$3.67

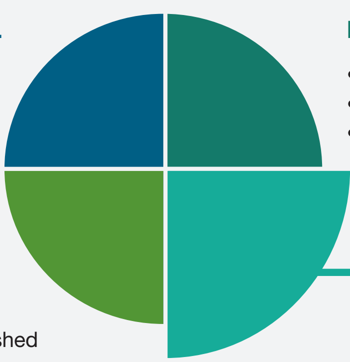
How does it fit in your grain marketing plan?

FOUNDATIONAL CONTRACTS

- ProPricing
- Portfolio Builder
- Pacer

TRADITIONAL CONTRACTS

- Cash
- Basis
- No Basis Established
- Firm Bid Offer



FLOOR CONTRACTS

- Minimum Price
- Daily Floor Plus
- Pacer Ultra

ENHANCE CONTRACTS

- Premium Offer
- Focal Point
- Spread Point

For more information, drop by your nearest Cargill location, contact your Cargill representative or visit CargillAg.com