Cargill® Helping the world thrive

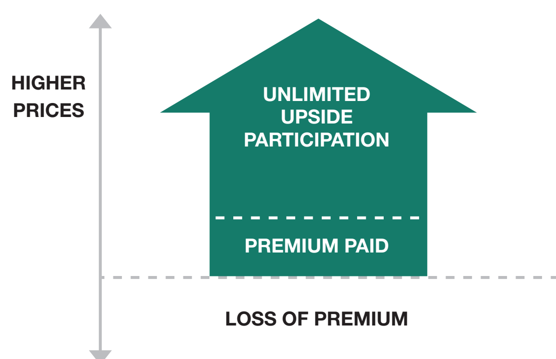
Minimum Price Strategies

Long Call / Call Spread

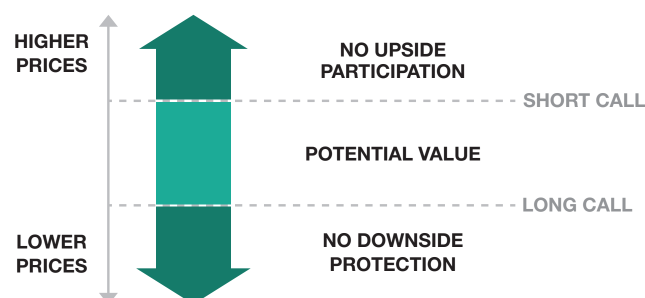
What are Minimum Price Strategies?

Minimum Price strategies protect or potentially enhance the price of your grain contract based on the values of options. If you have a bullish market bias and want to try to add value to current contracts, Minimum Price Long Calls or Call Spreads can be simple ways to participate in the market while maintaining a guaranteed minimum futures price – also known as a floor.

MINIMUM PRICE LONG CALL provides upside potential with downside protection by locking in a floor price for your contract.



MINIMUM PRICE CALL SPREAD provides the opportunity to benefit from a market increase capped at a pre-determined level. In doing so this will reduce the cost compared to a single leg contract. **A Minimum Price Call Spread** is a combination of a long call with a lower price and a short call at a higher price, both with the same expiration date and futures reference month.



Should I use this contract?

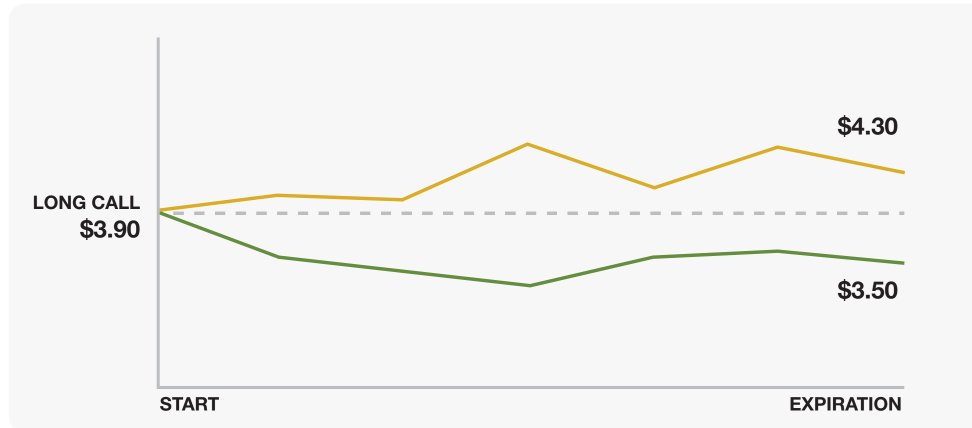
Yes, if you:

- Have a bullish market bias and are comfortable with the cost of the strategy.
- Want to try to add value to current contracts in a bullish market while maintaining a minimum price.
- Are uncertain about where the market will go and want to protect current prices and maintain upside potential.
- Deliver a large percent of your crop in the fall and want to participate if the market goes higher through winter, spring or summer.
- Call Spread: Want to lessen the investment and are comfortable with limited upside potential.

How Minimum Price Works

MINIMUM PRICE LONG CALL

You have a **$4.00** cash contract (both futures and basis have been established), but think corn may rally and want some upside potential. You decide to attach a **Minimum Price Long Call ($3.90 December)** to your **$4.00** cash contract for a cost of **$0.15** giving you a minimum price of **$3.85.**



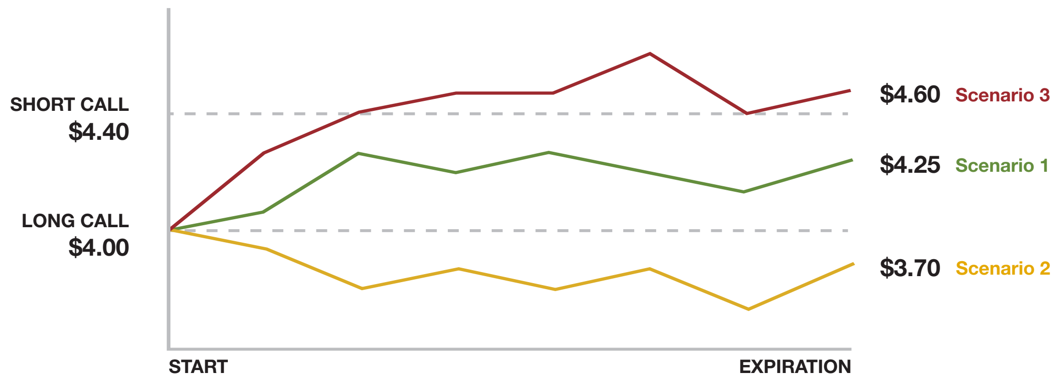
Potential final price scenarios at expiration*

Original Flat Price	Initial Cost	Minimum Price	Futures Price*	Final Value	Net Cash Price
$4.00	($0.15)	$3.85	$3.50	$0	$3.85
$4.00	($0.15)	$3.85	$4.30	$0.40	$4.25

MINIMUM PRICE CALL SPREAD

You want a lower net cost and are willing to have a cap on the potential price increase. You decide to attach a call spread using a **$4.00 December Long Call/$4.40 Short Call**, hoping the market increases and you can capture additional value. With this Minimum Price strategy, you cap the potential price increase at **$0.40** with a **$4.40 December Short Call** for a total cost of **$0.10**.

Call Spread Cost Calculation	
$4.00 Long Call Initial Cost	($0.25)
$4.40 Short Call Initial Value	$0.15
Total Cost	($0.10)



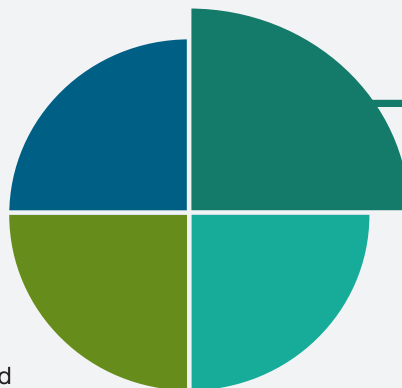
Potential final price scenarios at expiration*

Original Flat Price	Initial Cost	Minimum Price	Futures Price*	Final Value	Net Cash Price
$4.00	($0.10)	$3.90	$4.25	$0.25	$4.15
$4.00	($0.10)	$3.90	$3.70	$0	$3.90
$4.00	($0.10)	$3.90	$4.60	$0.40	$4.30

How does it fit in your grain marketing plan?

FOUNDATIONAL

- ProPricing
- Pacer
- Portfolio Builder



FLOOR

- Minimum Price
- Daily Floor Plus
- Pacer Ultra

TRADITIONAL

- Cash
- Basis
- No Basis Established
- Firm Bid Order

ENHANCE

- Premium Offer
- Focal Point
- Spread Point

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