NORTHERN COUNTRY COOP

MINIMUM PRICE CONTRACT

Contract Overview

The Minimum Price Contract is a very safe opportunity for the producer to participate in market movement for further profit. The grain is sold for the cash price and a call option is purchased for a specific strike price and month in the future. The price of the call is subtracted from the cash price, locking in a "floor" – the minimum price received for the grain.

Contract Specifics

- 5000 bu increments
- Fee: $0.02/bu

Potential Advantages

- Know the minimum price that will be received for the grain upfront
- Can participate in market rallies with defined risk (premium)
- Premium may be cheap compared to storage and handling costs
- Cost of the call and fee are taken off the cash sale vs. paying out of pocket

Potential Disadvantages

- **Cannot participate in additional basis gains**
- **Premium (cost of the call) could be high in a volatile market**
- **Option loses time value as expiration nears, could expire with no value**
- **Credit sale - title of grain is transferred at the time the contract is made**