Daily Plus Target

An opportunity to price grain above the market.

What is it?

The Daily Plus Target contract helps producers by establishing an accumulation level above the current futures market with the option of setting a guaranteed floor price.

How does it work?

- Based off market quotes, an accumulation level is set above the current futures market price and a lower barrier price is set below the current futures market price. A guaranteed floor may also be set.
- The contract is created for your choice of futures month, which will also set the averaging period, or the number of days the contract will run. Each day an equal number of tonnes will be priced at the accumulation level if markets remain above the lower barrier.
- During the averaging period when the futures price settles above the lower barrier price, allocated portions of your grain will be priced daily at the accumulation level. If the futures price settles at or above the accumulation level, allocated portions of your grain will also be priced at the accumulation level.
- If the futures settle at or below the lower barrier price, the remaining unpriced tonnes will remain on an unpriced basis contract to be priced by the averaging period expiry date, unless a guaranteed floor is set.
- If the futures settle at or above the accumulation level on the final day of the averaging period, the contracted tonnes will be doubled and the futures will be priced at the accumulation level, while the basis will be priced at the spot or next delivery period bid.

What are the advantages?

- Potential to price grain above the current futures market.
- Downside risk protection with the guaranteed floor option.
- No cost to use this contract.

What should you know?

- Wheat contract minimum of 68mt and canola contract minimum of 20mt.
- The initial contract quantity will be set by the producer who must lock in a basis value.
- The daily quantity will be the initial contract quantity divided by the number of days in the averaging period.
- The averaging period must be applicable to the selected delivery period futures month.

When should you use it?

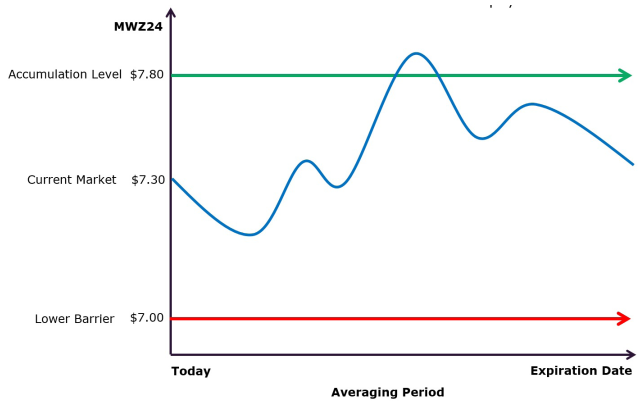
- Looking for a higher net price than current market values.
- Have additional grain unsold that you are willing to bring to market.
- Want to capture the upside with downside risk protection using the guaranteed floor option.
- Believe the markets will trade within a range during the timeframe of the contract.

Daily Plus Target

Example: It's June 30 and you have created a Daily Plus Target contract for 500mt of wheat to run for 100 days based off the delivery period futures month of November.

- Averaging Period: June 30 – October 15
- Daily Quantity: 5mt per day (500mt ÷ 100 days)
- Basis: $40
- Current Futures: $7.30
- Accumulation Level: $7.80
- Lower Barrier Price: $7.00

Scenario 1: Futures stay above lower barrier throughout averaging period and below accumulation level at expiry



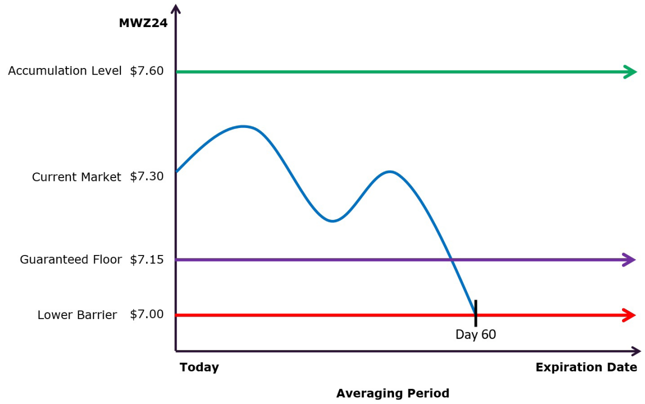
Action: No action required

Execution: 500mt with $40/mt basis

Accumulation level: $7.80/bu ($286.60/mt)

Net price: $8.88/bu ($326.60/mt)

Scenario 3: Futures break below lower barrier with guaranteed floor



Action: Split contract into before (59 days) and after (41 days) lower barrier hit

Execution before barrier: 295mt with $40/mt basis

Accumulation level: $7.60/bu ($279.25/mt)

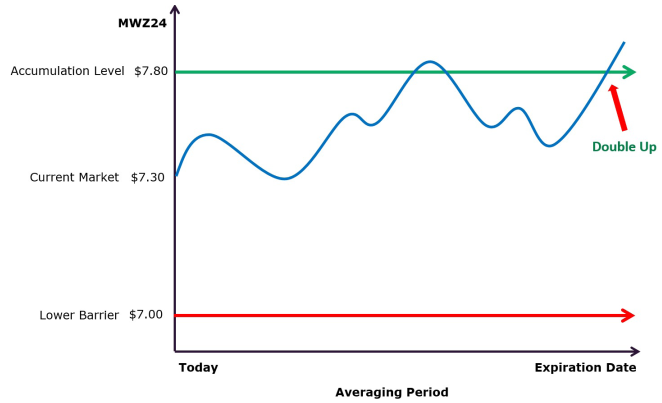
Net price: $8.69/bu ($319.25/mt)

Execution after barrier: 205mt with $40/mt basis

Futures: Guaranteed floor $7.15/bu ($262.72/mt)

Net price: $8.24/bu ($302.77/mt)

Scenario 2: Futures finish averaging period above accumulation level



Action: Double up

Execution: 500mt with $40/mt basis

Accumulation level: $7.80/bu ($286.60/mt)

Net price: $8.88/bu ($326.60/mt)

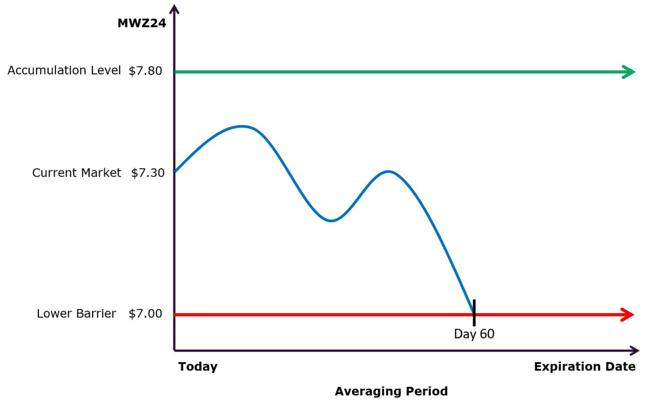
Double-up quantity: 500mt

Basis: Spot or next delivery window

Futures: Accumulation level $7.80/bu

Net price: $7.80/bu ($286.60/mt) plus or minus basis

Scenario 4: Futures break below lower barrier



Action: Split contract into before (59 days) and after (41 days) lower barrier hit

Execution before barrier: 295mt with $40/mt basis

Accumulation level: $7.80/bu ($286.60/mt)

Net price: $8.88/bu (326.60/mt)

Execution after barrier: 205mt with $40/mt basis

Futures: To be priced by contract expiry (Oct 15)