

## Demeter Marketing Alternatives

Marketing Alternative	Contract Description	Advantages	Disadvantages
<b>Spot</b>	Deliver grain to the elevator and receive the posted cash price at the end of the day.	-- able to take advantage of market gains	-- no longer able to benefit from basis or futures gains on bushels already priced
<b>Storage</b>	Deliver grain to the elevator and price it at a later time.	<ul style="list-style-type: none"> <li>-- able to take advantage of market gains</li> <li>-- transfers quality risk</li> <li>-- retain title of grain, allowing you to participate in certain government programs</li> </ul>	<ul style="list-style-type: none"> <li>-- monthly fee</li> <li>-- subject to basis and futures losses</li> <li>-- lose beneficial interest in the grain, making you unable to participate in certain government programs</li> </ul>
<b>Deferred Pricing Contract</b>	Deliver grain to the elevator and price it at a later time.	<ul style="list-style-type: none"> <li>-- able to take advantage of market gains</li> <li>-- transfers quality risk</li> <li>-- usually cheaper fees than storage</li> </ul>	<ul style="list-style-type: none"> <li>-- monthly fee</li> <li>-- subject to basis and futures losses</li> </ul>
<b>Traditional Purchase Contract</b>	Establish a favorable price for a quantity of grain you wish to sell during a specific delivery period.	<ul style="list-style-type: none"> <li>-- no service fee</li> <li>-- no longer subject to basis or futures losses</li> </ul>	-- no longer able to benefit from basis or futures gains
<b>Price Protection Program (PPP)</b>	Commit a quantity of grain to be sold for a specific delivery period which is then evenly sold over a period of several weeks.	<ul style="list-style-type: none"> <li>--no service fee</li> <li>--creates an average price during a historically favorable pricing period</li> <li>--takes the emotion out of selling ahead</li> <li>--no longer subject to basis or futures losses once price is established</li> <li>--flexibility to add/subtract bushels not yet sold</li> <li>--can set a minimum price to not sell below</li> </ul>	-- no longer able to benefit from basis or futures gains on bushels already priced

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<b>Basis Contract</b>	Establish a basis level for a quantity of grain you wish to sell during a specific delivery period.	<ul style="list-style-type: none"> <li>-- no service fee</li> <li>-- no longer subject to basis risk</li> <li>-- can receive a cash advance after delivery</li> <li>-- benefit from futures gains</li> </ul>	<ul style="list-style-type: none"> <li>-- no longer able to benefit from basis gains</li> <li>-- futures losses could force you to return part of your cash in advance</li> </ul>
<b>Futures Only Contract (Hedge-to-arrive)</b>	Establish a CBOT futures price for a quantity of grain you wish to sell during a specific delivery period. Lock in the basis prior to or at the time of delivery to establish the flat price.	<ul style="list-style-type: none"> <li>-- no longer subject to futures losses</li> <li>-- benefit from basis improvements</li> <li>-- no margin calls</li> </ul>	<ul style="list-style-type: none"> <li>-- fee based on delivery period chosen, which may out-weigh basis gains</li> <li>-- no longer able to benefit from futures gains</li> <li>-- basis may not widen</li> </ul>
<b>Minimum Price Contract</b>	Establish a minimum price by attaching a call option to a purchase contract.	<ul style="list-style-type: none"> <li>-- allows you to still capture market gains after locking in a price with a purchase contract</li> <li>-- no margin calls</li> </ul>	<ul style="list-style-type: none"> <li>-- service fee</li> <li>-- the option may expire without the market rallying enough to recover the cost of the premium</li> </ul>
<b>Optional Price Contract</b>	Establish a minimum futures price for a quantity of grain you wish to sell during a specific delivery period by attaching a put option to a purchase contract.	<ul style="list-style-type: none"> <li>-- limits downside risk of lower futures</li> <li>-- benefit from basis improvements</li> <li>-- no margin calls</li> </ul>	<ul style="list-style-type: none"> <li>-- service fee</li> <li>-- the option may expire without the market falling to a point to recover the premium</li> <li>-- subject to basis risk</li> </ul>
<b>Maximum Price Contract</b>	Establish a maximum price by attaching a short call to a basis contract.	<ul style="list-style-type: none"> <li>-- use the premium to obtain a more favorable basis level</li> <li>-- can still benefit from futures gains up to the strike price of the option</li> <li>-- no margin calls</li> </ul>	<ul style="list-style-type: none"> <li>-- service fee</li> <li>-- limited upside potential based on strike price of the option</li> <li>-- unable to price basis contract until after option expires</li> </ul>