To our valued customers:

We would like to update you regarding the various risk management grain marketing options that we have available to you to help you market your wheat, corn and soybeans. The following is a brief outline of each option. More detail is available by contacting Roger.

Cash Sale:

Simply means hauling your grain in and selling it on the spot.

Deferred Payment Contract:

This transaction involves the sale of your grain for a set price, and delaying your payment at your request, to a later date, normally for tax purposes. Storage charges stop on the date of the sale.

Price Later Contract:

This is a signed agreement that transfers the title to us, and obligates us to pay you market price less charges upon demand. The benefit of this program is that it allows the grain dealer to keep dumping your grain, and not have to shut down during harvest if we have not purchased it.

Forward Contract:

In this transaction the grower agrees to deliver a set amount of bushels at a fixed price at a future date. These contracts can be written for multi-years.

Minimum Price Contract:

In this type of transaction the grower sells his grain at a set price, and we then buy a call option on the Chicago Board of Trade, and deduct the cost of the call plus service charges from your grain. We then pay you at the minimum price. If the futures market goes up, your call may appreciate in value and you will be entitled to whatever we can sell your call for, multiplied by the option bushels when the market is trading. A minimum price can be created using old crop in the elevator, or in your storage, or we can also attach a minimum price to a new crop contract. We can also buy

put options for your account and create a minimum price contract, which might increase in value if the market drops.

Minimum / Maximum Contract:

(Mini-Max for short) This contract is basically a minimum price contract, but includes the sale of a call option at a strike price above the call we bought. This strategy is mostly used for soybean minimum price contracts to reduce the out of pocket option costs. The drawback is that in the event of a bull market your equity will be capped when the underlying futures meet or exceed the strike price of the option you sold. This strategy can also be employed using put options.

Hedge to Arrive Contract:

This transaction involves the sale of a futures contract on the grower's behalf, but obligates the grower to deliver the grain at a specified future delivery period. This contract is useful if the grower likes the futures price, but thinks the basis will improve. Basis must be set by the date of delivery, and delivery period cannot be changed.

Short Call Contract:

This allows the grower to sell (short) a call option and collect the premium (less a service fee) through the elevators account. There is no margin call(s), however, this is a cash grain contract and delivery is expected. The grower will be assigned a short futures position in the event that the option is exercised, and the basis must be set by the date of delivery. The grower will keep the entire option premium, less the service fees. The draw back to this contract is that the seller most likely will not know if he has sold the grain until option expiration.

See Roger for Details