

# STRUCTURED PROGRAM

## FREEDOM<sup>®</sup> PREMIUM PLUS<sup>SM</sup>

### WHAT IS IT?

Our Freedom<sup>®</sup> Premium Plus<sup>SM</sup> program pays a premium on an initial quantity of grain in exchange for a commitment to sell to a like quantity of grain for deferred delivery at an established price if certain conditions exist (see example below).

### WHAT ARE THE BENEFITS OF THE FREEDOM<sup>®</sup> PREMIUM PLUS CONTRACT?

- Allows you to capture a premium on grain.
- You choose the **target price** and **target date** (pricing date) for the firm offer bushels.
- Setting a **target price** benefits marketing plans for deferred delivery grain.

### WHAT ARE THE POTENTIAL RISKS OF THE FREEDOM<sup>®</sup> PREMIUM PLUS CONTRACT?

- The only time you may price the deferred delivery grain is on the **target date** after the market closes.
- Regardless of how high the futures price exceeds the **target price** on the **target date**, your final cash price for the grain on firm offer will be the **target price** adjusted for local basis.
- Should futures price move above the **target price** before the **target date**, the deferred delivery grain on firm offer cannot be re-priced.

### EXAMPLE:

**Today's Date:** January 15

**Bushels:** 5,000

**Premium:** \$0.24

**Delivery Period:** June

**Local Cash Bid for Dec Corn:** \$3.80

**Final Cash Price:** \$4.04

INITIAL DELIVERY CONTRACT

**Target Date:** November 23

**Target Price:** CZ20 @ \$4.00

**Bushels:** 5,000

**Delivery Period:** November

**Final Cash Price:** Market dependent (see scenarios 1, 2, and 3)

DEFERRED DELIVERY CONTRACT

**SCENARIO 1:** On the November 23 **target date**, the December futures (CZ20) close at \$3.80, below the \$4.00 **target price**. You have an obligation to deliver the additional 5,000 bushels of corn; however you can price according to local policy because you now have an un-priced bushels only contract.

**SCENARIO 2:** On September 30, the December futures (CZ20) rally to \$4.30. The grain contract with the chosen **target price** and **target date** cannot be re-priced. It can only be priced on the **target date** (November 23). On November 24, the December futures (CZ20) close at \$3.80. You have an obligation to deliver the additional 5,000 bushels of corn; however you can price according to local policy because you now have an un-priced bushels only contract.

**SCENARIO 3:** On the November 23 **target date**, the December futures (CZ20) close at \$4.30. You will have an obligation to deliver 5,000 bushels CZ20 at \$4.00 **target price**. December futures (CZ20) adjusted for basis. (\$4.00 Futures - \$0.20 Basis = -\$3.80 Cash).

Basis may be attached at any time prior to futures being set. Standard HTA policies and fees may apply.

Sellers are advised to use discretion in making cash grain marketing and pricing decisions. The Andersons is a buyer of cash grain forward contracts which utilize Freedom Pricing Tools. Freedom Pricing Tools are products of The Andersons, Inc. and its affiliates ("Andersons"), and are not advisory tools. The Andersons does not make any representations or warranties, nor guarantees the performance of the Freedom Pricing Tools.

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