

MINIMUM PRICE CONTRACTS

Example: 2,000 Bu of Corn @ May Futures \$3.43 (Expires April 21st)

- Today's Price: $\$2.95 \times 2,000 = \$5,900$
- MPC Cost for May .23 $\times 2,000 = \$460$
- Receive payment today $\$2.72 (2.95-.23) \times 2,000\text{bu} = \$5,440$

Scenario 1:

- April 10th you decide to sell; May Futures are \$3.90.
- $\$3.90 - 3.43 = .47 \times 2,000\text{bu} = \940 in addition to original payment.
- Your final NET price is $\$3.19/\text{bu}$ **and you didn't pay any storage!** **\$6,380**

Scenario 2:

- April 21st (MPC expires), May Futures are \$3.20.
- $\$3.20 - 3.43 = (.23)$, you lose nothing, pay no storage, and received your payment back at harvest! **\$5,440**

MPC VS Price Later:

Price later rate: .05 in + .04/bu/mo

Example:

Price Later

- Decide to sell April 10th; $2,000\text{bu} \times .20 = \400 storage fees
- Corn goes up to $\$3.25 \times 2,000 = \$6,500 - \$400 = \$6,100/3.05\text{bu}$ NET
- Payment is received when sold in April. ($\$$ you could have used for prepay or saved in interest) **\$6,100**

MPC – May Futures @ \$3.43 (.23 MPC cost)

- Today's Price: $\$2.72 \times 2,000 = \$5,440$
- April 10th May Futures are 3.73 – 3.43, gain of .30/bu
- $\$3.02$ NET - received 90% of payment at harvest, creating cash flow and saving interest. **\$6,040**

	Nov 23	Feb 24	Apr 21	Jun 23
Wheat	0.16	0.24	0.30	0.37
Corn	0.14	0.18	0.23	0.27
Beans	n/a	0.50	0.54	0.60