Price Builder Bonus Contract

The Price Builder Bonus contract provides the ability to market bushels every day of the contract period at a floor price level above the futures level that exists at the time the contract is created. Bushels will "build" each day until either the contract period expires or a "knockout" price below the market is hit. Under the Price Builder Bonus contract, if the futures price at expiration is at or above the target price, the quantity of bushels obligated is doubled.

The advantages of this contract include the ability to sell bushels above current futures values and the ability to contract any quantity of bushels; no minimum of bushels is required.

Price Builder Bonus is one of the CHI COMPASS® family of over-the-counter products from CHS Hedging. These products help level out price risk with alternative cash contracts that simplify both decision-making and execution. CHI COMPASS contracts price themselves over a specific period of time and are simply initiated by signing up current bushels.

Learn more at www.chshedging.com
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On YouTube: CHSHedging Channel

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Price Builder Bonus Example

Current December Futures (CZ13)	$6.30
Price Builder Bonus Floor Price	$6.87
Target Price	$6.87
Knockout Price	$5.68
Pricing Period	Oct. 10, 2012, to Oct. 16, 2013 (257 business days)
Cost	No cost

Potential Results

Scenario 1
The market stays above the knockout price of $5.68 for the entire pricing period (257 days), but closes below $6.87. All bushels initially contracted will price at $6.87, and a futures fixed contract or the pricing of a basis contract will occur at $6.87. No additional bushel obligation is incurred.

Scenario 2
The market stays above the knockout price of $5.68 for the entire period, but closes above $6.87. All bushels will be priced at $6.87, and a futures fixed contract or the pricing of a basis contract will occur at $6.87. In addition, an equal number of bushels will also be priced at $6.87 (the obligation is doubled). The additional bushels become a new futures fixed contract or can be used to price a previously established basis fixed contract.

Scenario 3
The market touches $5.68 per bushel on May 21, 150 days into the 257-day contract or at 62 percent of the period. Therefore, 62 percent of the bushels contracted will be priced at $6.87. The unpriced balance will be available to price as the producer sees fit after the knockout has occurred. Any initial per bushel cost is still assessed on all bushels originally contracted.

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