



Security plus contract

About the contract

The Tate & Lyle “Security-Plus” contract is an innovative cash grain contract which allows the producer to set a floor price for nearby or deferred delivery grain with a strike price above the market where the producer would like to sell grain. The floor price acts as a true floor, supporting a “minimum” level the producer is willing to receive, while the ceiling price acts as an offer, exercising immediately when the market trades through the ceiling level. The producer has the best of both worlds - the security of knowing if prices drop there is a guaranteed floor already in place, but with the opportunity to set a higher price on rallies in the future.

Advantages

- producer can set a floor price for grain while having the ability to sell on a rally
- the ceiling or offer price triggers immediately if futures trade through the strike price
- producer can lock in an advantageous basis level ahead of pricing futures

Considerations

- producer cannot take advantage of market moves above the strike price
- the floor price is lower than the current price

Example

Producer John sells 5,000 bushels of new crop corn to Tate & Lyle Grain’s Francesville, IN elevator at the following:

Current December 2012 corn futures	\$5.40
Francesville local basis	- .25
December Futures Floor Price	\$5.10
December Futures Strike Price	\$6.00
Expiration Date	September 28, 2012

The producer has set a floor futures price of \$5.10 – if December futures are at or below \$5.10 on expiration date; the futures price is locked in at \$5.10. If at any time the market trades above \$6.00 between the time of original contract date and expiration date, the customer’s futures price is locked at \$6.00. If futures do not trade through 6.00 between the time of original contract date and expiration date, but are above \$5.10, the futures prices is locked at the last actual trade on the expiration date.