

FLOORED AVERAGE

Protect the downside, but capture the upside.

What is it?

The Floored Average contract is a low risk marketing option that allows you to establish a floor price based on the current futures price, while still having the opportunity to participate in a rising market.

How does it work?

You set a floor price at or above the current futures value for a specified amount of tonnes. Then you choose an averaging period and basis level that best meets your needs. Upon delivery you receive your selected floor price. At the end of averaging period you receive the average futures price for that period - or the floor price - whichever is higher. It's a low risk, low stress contract that has a place in any balanced marketing portfolio.

What are the advantages of the Floored Average contract?

- You are guaranteed a floor price but can stay in the market.
- It removes stress, frustration, and risk from marketing your grain.

What should you know?

- You may not capture all of the gains during a volatile market.
- You must remain in the market for the entire average period selected

When is it used?

The Floored Average is a great complement to any grain-marketing plan at any time of the year. In a downward trending market, it gives you the peace of mind of a floor price. If prices rebound, it delivers an average return.

Additional Features

- The averaging period can be tailored to meet your delivery period.
- Your Viterra representative can track the progress of the average for you and provide you with updates.
- The futures level will be communicated to you shortly after the averaging period is over.

Why Would I Accept an Average Price?

There are numerous academic studies from major universities that show taking a simple market average consistently outperforms professional market advisors and traders. It also eliminates stress, frustration and time when it comes to marketing grain.

Floored Average Case Study

On October 15th, with March Canola futures trading at \$600, you enter into a Floored Average contract with your Viterra elevator to sell 50 Tonnes of canola right out of the field. You choose a \$605 floor price for an investment of \$45. Under the contract, you are guaranteed that your futures level for the contracted bushels will be the *higher* of either the average of the daily closing March futures prices between October 23 and February 15 or a pre-defined floor price, whichever is higher. The nearby cash bid for Canola is \$570/tonne



You set your basis, haul your Canola and are paid 100% of your net minimum cash price of \$520.

A number of scenarios are possible:

Scenario #1: The average futures level for the period was \$700. The average was above the floor so the average will be used to calculate your final contract price:

\$605 Floored Average futures price

-45 Floored Average Marketing Fee

-40 (under) Basis you established

\$520 is your contract price upon Delivery

\$700 Average futures

\$605 Floor paid upon delivery (before basis and marketing fee)

\$95 adjustment issued to the producer

Scenario #2: The average futures level for the period was \$540. The average was below the floor, so the floor of \$245 will be used to calculate your final contract price:

\$605 Floored Average futures price

-45 Floored Average Marketing Fee

-40 (under) Basis you established

\$520 is your final contract price

\$540 Average futures

\$605 Floor paid upon delivery (before basis and marketing fee)

\$0 adjustment issued to the producer
