

## PREMIUM FOR OFFER

# Get a premium offer for your grain today when you commit to sell more in the future.

### What is it?

Viterra will pay you a premium for an initial delivery of your canola in exchange for a firm offer to sell us a like quantity and quality for future delivery at an established price.

### How does it work?

You sign a Premium for Offer contract and receive a premium over Viterra's current cash offer on your first shipment. In return, you commit to sell the same tonnage and grade to Viterra on a specific date in the future at a firm offer price.

### What are the advantages of the Premium for offer contract?

- Allows you to capture a premium on your grain today.
- You choose the firm offer price and pricing date for the firm offer tonnes.
- You have no obligation to deliver the grain on firm offer if futures close below the firm offer price on the pricing date.

### What should you know?

- Regardless of how high the futures price exceeds the offer price on the pricing date, your final cash price for the grain on firm offer will be the offer price minus local basis.
- The firm offer does not guarantee the sale of the deferred delivery grain on firm offer.
- Should futures price move above the offer price before the firm offer pricing date, the deferred delivery grain on firm offer cannot be re-priced.
- Both the initial and offer tonnage must match.
- There is no down side protection in futures close below the offer price.

### When is it used?

Having a firm offer in place is an important tool in a disciplined marketing plan. The firm offer level should be viewed as an attractive and profitable sales price for the additional tonnes.

### Premium for Offer Case Study

It is April 24th and Viterra's cash canola bid is \$410/tonne. The seller enters a Premium for Offer contract and receives a \$40 premium, or \$450 for 50 tonnes of canola in exchange for a firm offer with pricing date of September 24th, 2008 and a \$470 November 2008 futures offer price for the same quantity/quality of Canola.

### Possible scenarios:

*Scenario #1:* If November futures close Below \$470 on September 24<sup>th</sup> the seller's firm offer expires with no further obligation. The seller keeps the original premium.

*Scenario #2:* If November futures close at or above \$470 on September 24<sup>th</sup> then the seller sells and additional 50 tonnes of canola priced at a \$470 futures level. The seller keeps the original premium.