

TARGET PRICE AGREEMENT

Set your price and we'll watch the market for you.

What is it?

A Target Pricing Agreement (TPA) with Viterra allows you to select a price you would like to achieve without having to monitor the ups and downs of the market.

How does it work?

Determine your desired price and sign a TPA. Viterra will monitor prices until your target is hit and advise you that a purchase contract has been issued for your grain. There is no obligation unless your price is reached.

What are the advantages of a target price agreement?

- You set a target price that meets your business needs.
- You don't have to watch the markets.
- Keeps your marketing options open.
- Delivery is not required until the target price is triggered.
- You can change or cancel the target price prior to triggering at no cost.

What should you know?

- You have no price protection if prices do down.
- The price may be triggered in a rising market.
- Delivery is required once the target price or basis is hit.
- To avoid triggering, the contract must be cancelled if the grain is marketed elsewhere.

When is it used?

Use a target contract when you expect prices to rise or basis levels to narrow, but want to keep your marketing options open. A TPA is particularly useful when you are not available to watch the markets.

Target Price agreement case study

It's September 25th and the November futures price is \$420/mt with a basis of -\$30/mt for a net cash price of \$390/mt. You want a net \$400/mt for your grain, so you sign a TPA for that price.

On October 5th, the futures rally to \$435 on rumours of Chinese demand. Your TPA is triggered at \$430/mt futures minus the basis of -\$30/mt or a net of \$400/mt.

On October 6th, the futures fall to \$415/mt when Australia gets the sale.

You achieved your target price of \$440/mt and captured all but \$5/mt of the market rally. Your price was triggered before futures fell the next day.