Overview of Minimum Price Contracts (MPC)

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1) **What is a Minimum Price Contract (MPC)?:** MPC's are a grain marketing contract that allow you to establish a price floor, and get paid for your grain, while staying in the market. MPC's are an alternative to Open Storage or Price Later contracts. Both Open Storage and Price Later contracts involve paying a fee to stay in the market, but unlike MPC's, neither of those provide a price floor. MPC's are essentially a form of "re-ownership" strategy, where you sell physical grain, then replace it with a paper contract tied to the futures market.

   To do a "at the money" MPC using today's prices, for example, a farmer could sell corn that has already been delivered for $3.75 per bushel, and then pay 25-cents per bushel to stay in the market until April 24th, 2026, with the opportunity to re-price the contract if the MAY 2026 corn futures contract rallies over the current price of $4.45. In this case, since the corn has already been delivered, the farmer would be paid $3.50 per bushel ($3.75 cash, less the $0.25 MPC service fee) when the contract is made.

   If the MAY 2026 corn futures rally to $5.00 before April 24th, and the farmer executes the MPC option at that time, he will be paid 55-cents for final settlement of the contract ($5.00 MAY futures, less the $4.45 reference futures price).

   If by April 24th the MAY 2026 corn futures have declined to $4.00, the MPC expires, and the farmer doesn't receive any additional payment at final settlement.

2) **How much does an MPC cost?** The cost of a MPC depends on the commodity, the amount of time the contract will stay in the market, the reference futures price, and market volatility.
   a. **Commodity:** MPC's can be written for both corn and soybeans. As a general rule of thumb, an "at the money" soybean MPC option will cost about double the price of an at-the-money corn option for the same futures month.
   b. **Duration:** The price of an MPC will increase as the duration of the contract increases. For example, an "at the money" corn MPC that expires in late-February currently costs 20-cents, while an MPC that expires in late-April will cost 25-cents, and an MPC expiring in late-June will cost 29 cents.

c. **Reference Futures Price:** One way to lower the cost of an MPC contract is to choose a higher reference futures price (AKA – "strike price"). For example, using today's MAY 2026 futures, a $4.45 reference price will cost 25 cents, but a $4.35 reference price would cost 31-cents, or a $4.55 reference price would cost 21-cents. I like to think of the reference futures price as similar to setting the deductible on your homeowner's insurance. If you choose a lower reference price, you will pay more for the contract (so your minimum price will be lower), but you will get more money back if the market rallies. If you choose a higher reference futures price, you will pay less up front, but you will have less opportunity for gain.
d. **Market Volatility:** The relationship between market volatility and options prices is very complex. All you have to know is that the cost of any MPC will be somewhat higher if the market has been very volatile, or somewhat lower if the market has been quieter. Sticking with the homeowner's insurance analogy, the policy is going to be more expensive if you buy it after the back porch is already on fire.

3) **How many bushels are required to do an MPC?** While MPC's can be done with any quantity of corn or soybeans, the best pricing will always be for contracts made in increments of 5,000 bushels, because that aligns with the size of exchange-trade options. MPC's done for smaller bushel amounts, or for odd amounts (i.e. not evenly divisible by 5,000) will be slightly more expensive on a per-bushel basis.

4) **How do I "pull the trigger" on the repricing feature of an MPC?** If futures prices rally beyond your reference futures price, you will have the opportunity to execute the repricing. You don't have to execute the repricing all at once, but you can only execute once per bushel. For example, if you did a 20,000 bushel MPC with a $4.45 MAY 2026 reference futures price, and MAY futures rally to $4.70, you could execute pricing on 10,000 bushels to lock in a 35-cent gain on half the bushels, while leaving the other half open. It is possible to execute pricing in less than 5,000 bushel increments, but prices may be lower due to differences between regular and "mini" futures contracts. Any proceeds from the MPC beyond the minimum price will be paid after the entirety of the contract has been repriced, or the expiration date has passed.
5) **How does basis affect MPC pricing?** Once the minimum price has been set, basis will not affect the outcome of MPC pricing, because gains will be determined only by the difference between the reference futures price, and the price of the underlying futures when the repricing is executed.

6) **Can I convert an existing Purchase Contract into an MPC?** Yes, unfilled purchase contracts can be converted to a minimum price contract. For example, a customer who in April sold 5,000 bushels of corn for OCT/NOV delivery @ $4.25 could convert his Purchase Contract into an MPC with a $4.00 minimum price ($4.25 cash, less the $0.25 MPC service fee), thereby gaining the opportunity to reprice and lock in any gain in the MAY 2026 futures over the current price of $4.45.

7) **Can I buy the MPC option before selling the grain?** No. In order for us to build an MPC, the grain must be sold or contracted.

8) **Can I use target orders with an MPC?** Yes. It is a great idea to set up a target order to automatically execute the repricing of your MPC if your profit goal is achieved. You can also use a target order to establish an MPC. If you already have a PC that you would consider converting to a MPC if prices fall before the grain is delivered, we can use a target order to automate purchasing the MPC options.

9) **Can I do an MPC for grain that will be stored at home?** Yes. For example, you could sell corn for July delivery at today's bid of $4.25 (i.e. "sell the carry"), and buy a MAY 2026 $4.45 MPC for 25-cents. This would give you a minimum price of $4.00 (payable upon delivery of the corn in July), but allow you to lock in more gain if the MAY 2026 futures rally before April 24th.