

ACCUMULATOR

What is a Accumulator contract?

Accumulators involve selling out of the money (OTM) exotic options. These options cease to exist when certain market levels (known as “knock-out” levels) are triggered. A “double up” component exists when price trades at/ above the accumulation level.



Advantages:.

- Helps achieve target price levels that may not otherwise be achievable.
- Forward marketing can help you mitigate risk, making it a critical component to your overall marketing portfolio.
- Choosing the Remainder Accumulator assures a minimum futures reference price for your grain.
- Automatically executes for you, minimizing worry and stress.
- Lots of options if knocked out
- Can be any bushel amount
- Double up on expiration day only or daily depending on contract choice

Disadvantages:

- Possibility of double obligation
- Cost of .08 on full contract
- Complexity of contact

How it works:

Selling 5000 March 2023

122 Days of Pricing

Start Date: 9/12/2020

Expiration Date: February 24, 2023

Reminder Option

Accumulation Level	7.46	7.03
Knock out Level	6.22	6.16
Current March 23 Futures:	6.75	6.75
Maximum Enrolled Bushels	10,000	10,000
Daily Pricing Quantity	40	40
Remainder Option Pricing		6.81

Each day March 23 Futures are above knock out price, 40 bushels are priced at accumulation level until 5000bu are priced. Any time March 2023 futures goes below knock out level, you are knocked out.

Scenario #1: Remainder not Selected

Date: 11/12/2022

March 2023 Futures: 6.20

You are now knocked out of contract. 2440bu are priced at 7.46 @ 61 days in the contract. The 2560bu remaining can be reenrolled at no cost, or marketed in other contracts

Scenario #2 Remainder Selected

Date: 11/12/2022

March 2023 Futures: 6.12

You are now knocked out of the contract. 2440bu are priced at 7.03 @ 61 days in the contract. The 2560bu remaining would then be priced at 6.81 the remainder priced selected at start of contract.

Scenario #3 Remainder or Not

Date: 2/24/2023

March 2023 Futures: 7.52

March 2023 futures closed at 7.52 on expiration date, you have now priced all 5000 bushels at the 7.46 accumulation level and now owe another 5000 bushels at 7.46 futures as well, you double up.

Key Reminders:

-Remainder option must be selected at the time the contract is made. And selecting remainder, brings down accumulation price and knock out level.

-Double up occurs on the Expiration date or daily if you choose that option.

-.08 fee to enroll in contract, on all bushels enrolled

-If reenrolling after knockout, no additional fee in any other program

-Basis must be set before delivery