

# Cargill Elevate™

## Fertilizer Focal

A Fertilizer Focal contract allows you to manage increasingly volatile fertilizer price risk using a urea futures reference price in conjunction with a corn contract.

### Enhance

Take advantage of market opportunities to seek premium prices for your grain.



PRICE



INSURE



ENHANCE

# Should I use this contract?

## Yes, if you:

- Want to manage fertilizer price risk during a time of record costs
- Have not locked in the physical product or price with your local retailer and are concerned about rising fertilizer prices
- Have already locked in fertilizer price and are worried about a price decline over the winter
- Want to express a bullish or bearish fertilizer price bias based on NOLA urea markets

## What else do I need to know about Fertilizer Focal?

- The amount of fertilizer protection or participation correlates with the size of your Cargill grain contract
- This contract provides directional participation or protection to manage fertilizer price risk, but it does not provide exact fertilization price correlation, elasticity or protection with local prices
- It is important to understand that Cargill does not provide advice on fertilizer application rates, types or chemical makeup

# How does Fertilizer Focal work?

- The values of the urea futures reference month used for the initial and final pricing will be determined by Cargill and made available to the customer. The underlying futures reference (Urea NOLA) historically tends to be illiquid or thinly traded. Therefore, Cargill will determine pricing based on a variety of inputs, including but not limited to Futures Reference Month transactions and levels, broker quotes, market bids and offers, etc.
- If you have not locked in the price on 100% of your fertilizer needs and are concerned about rising prices, select a Futures Reference Month for your Long Fertilizer Focal and establish an Initial Fertilizer Focal Price.

- If you have already locked in your fertilizer price, select a Futures Reference Month for your Short Fertilizer Focal and establish an Initial Fertilizer Focal Price.
- Your final result will be included as a price adjustment to your Cargill grain contract.

Grain (bushels)	Urea (tons)
10,000	20
25,000	50
50,000	100
<b>Total Cost</b>	<b>\$0</b>

\$0.20/bushel gain or loss per \$100 in fertilizer (assumes application rate of + / - 350 lb/acre and 46% urea)

## Example 1: Long Fertilizer Focal

On **December 1** you sell 10,000 bushels of corn using a CZ23 at **\$5.50** NBE but you're not happy that you can't lock in pricing on 100% of your fertilizer needs due to supply constraints. You believe fertilizer prices could continue to climb higher, so you enter into a Long Fertilizer Focal contract using 20 tons of urea as an addendum to your grain contract. You select March '23 Urea NOLA as the futures reference month and establish the Initial Fertilizer Focal Price at **\$600**.

	Scenario 1 March Urea value has risen to \$700	Scenario 2 March Urea value has fallen to \$500
<b>Cash Price</b>	<b>\$5.50</b>	<b>\$5.50</b>
Long Fertilizer Focal		
Final Fert Focal Point Price	\$700	\$500
- Initial Fert Focal Point Price	\$600	\$600
= Fertilizer Focal Adjustment Amount	\$100/ton (+\$0.20/bu)	-\$100/ton (-\$0.20/bu)
<b>Fertilizer Focal Cost</b>	<b>-\$0.03</b>	<b>-\$0.03</b>
Final Cash Price	\$5.67	\$5.27

## Example 2: Short Fertilizer Focal

On **December 1** you sell 10,000 bushels of corn using a CZ23 at **\$5.50** to get a start on new crop marketing. You were fortunate to lock in all of your fertilizer but you're still not thrilled about the cost being more than 100% higher year over year. You believe fertilizer prices should soften into spring, so you enter into a Short Fertilizer Focal contract using 20 tons of urea as an addendum to your grain contract. You select March '23 Urea NOLA as the futures reference month and establish the Initial Fertilizer Focal Price at **\$600**.

	Scenario 1 March Urea value has risen to \$700	Scenario 2 March Urea value has fallen to \$500
<b>Cash Price</b>	<b>\$5.50</b>	<b>\$5.50</b>
Short Fertilizer Focal		
Final Fert Focal Point Price	\$600	\$600
- Initial Fert Focal Point Price	\$700	\$500
= Fertilizer Focal Adjustment Amount	\$100/ton (+\$0.20/bu)	-\$100/ton (-\$0.20/bu)
<b>Fertilizer Focal Cost</b>	<b>-\$0.03</b>	<b>-\$0.03</b>
Final Cash Price	\$5.27	\$5.67

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